



2014/2015
ANNUAL
REPORT

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MAYOR'S FOREWORD (CLLR J.E SIGASA)

Once more, that time has come where we need to give full account of our last financial year's performance as a municipality and give report on the extent in which we have gone in changing the face of our communities for the better.

Section 46 of the Local government: Municipal Systems Act (Act 32 of 2000) and read with Section 121 and 127(2) of the Local Government: Municipal Finance Management Act (56 of 2003) compels the municipality to prepare and produce an annual report for each financial year and for the Mayor to table such a report in the Council within seven months after the end of each financial year.

It is often a very complex exercise to provide in detail a complete account of the responsibilities conferred on us by our electorate more so through a report of this nature. However, we owe it to our people and to our beautiful land to create an accountable and responsive local government.

It's always an honour and a privilege for me as the Mayor to present this timely Annual Report of Mafube Local Municipality for the 2014/2015 financial year to the Council, the broader community of Mafube, those who live, work, pray and play in our jurisdictional area and as well as our many stakeholders and partners with whom we continue to work towards our collective goal of creating a viable, developed and sustainable municipality

The intention of this report remains firstly, to provide an insight into our approach to governance and service delivery. Secondly is to give full account of the progress in the implementation of both the Integrated Development Plan as informed by the broader vision

Of the National Development Plan and the Service Delivery Budget Implementation Plan as duly adopted by the Council.

The achievement of service-delivery targets and deliverables are required to be viewed together with the municipality's financial performance and our compliance with the whole suite of municipal legislative framework

We have endeavoured in our operations to address the expectations of our communities as expressed throughout the consultative public meeting platforms which we convene from time to time amongst which were Church and Transport Indaba and Crime Prevention Summit as part of the broader Mayoral Izimbizo programme.

Despite our financial shortcomings, like in all other previous years, we have continued to embark on a sustained assault on the historical backlogs particularly in relation to the bulk infrastructure, e.g. roads, housing, water, sanitation and electricity. Of course, we remain mindful of the many challenges that still lie ahead in our quest to deliver a revolutionary objective of a better life for all our people.

As a municipality, we continue to put aside financial resources on education as an apex priority in our country to take our learners to various higher education institutions. This intervention has seen many of our young people who otherwise would have not accessed the universities and Colleges, received a life time opportunity to enter the higher education space to change the fortunes of their lives and that of their families.

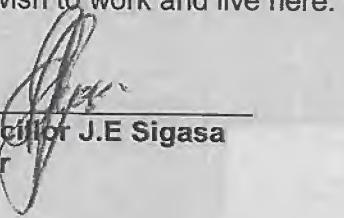
In the true spirit of "Batho Pele" principle and the "People shall govern" policy, we continue to promote public participation and joint planning with our people through engaging different sectors. In the year under review, we have implemented the extended leg of the Mayoral Imbizo Programme by convening amongst others, the Church Indaba, Transport Indaba and the Crime Prevention Summit to engage of issues of mutual interest. We will continue to create platforms with different sectors to promote mass participation culture amongst our people.

We believe that this Annual Report highlights a large number of the positives that exist in the Mafube Local Municipality that, if viewed objectively, should give our people a sense of hope and optimism that we remain steadfastly committed to achieving our vision of building a viable, developed and sustainable municipality.

I trust that every person who goes through this report and study its contents from a balanced and fair perspective will concur with our accession when we say, "we are a government at work for better life for all"

I look forward together with Executive Committee, the Mafube Municipal Council and the Management, to continue to pull every plug in building a transformed Mafube Local Municipality in which our vision will be realised.

I remain optimistic that the future of Mafube Local Municipality holds the possibilities of a better life for all who may wish to work and live here. VUKUZENZELE


Councillor J.E Sigasa
Mayor



OVERVIEW BY ACTING MUNICIPAL MANAGER (MR N.A HLUBI)

The Municipal Finance Management Act (MFMA 2003) enjoins every municipality and every municipal entity to prepare an Annual Report for each financial; therefore this Annual Report seeks to:

- Provide a record of the activities of the municipality.
- Provide on the performance of service delivery and budget implementation plan.
- Provide accountability to the local community.

Further, MFMA requires the municipality to report on all aspects of performance, providing a true, accurate and honest account of the goals set by Council. This information should be reflected in the Integrated Development Plan (IDP) and the Service Delivery and Budget Implementation Plan (SDBIP).

The Annual Report is a key performance report to the community and other stakeholders, which, once approved by Council will be availed to them.

It is in the spirit of governance by the people that we deliver this Annual Report to the people of Mafube Local Municipality. This document intends to inform the community of Mafube of the objectives and plans to which we have committed in the human and financial resources against the outcomes as reported in this report.

Mafube Local Municipality has continued to focus on infrastructure maintenance and development, financial viability, good governance, job creation and economic development.

The challenge of consistent collection of rates and taxes remains a sore point in the books of the municipality, despite this, the municipality still endeavours to collect refuse and provide citizens with clean drinking water.

The Audit outcome still is adverse with noticeable improvements, together with all staff, we continue to commit to receiving a clean audit.

I take the time to send our deepest condolences to all households who were impacted by losing their loved ones in the past year and congratulate those who got engaged and married.

I also thank those employees who have retired and those that were in acting capacities for ensuring that the municipality renders the services to the community despite the number of challenges we face. Your commitment and dedication has not gone unnoticed.

Let me also take the time to thank the support that we continue to receive from the Office of the Mayor, Speaker all stakeholders, government departments (National, Provincial, District), media, Office of the Premier and members of the community.

It is our wish and desire to continue to uphold the Constitution, and we invite one and all to be with us as we journey towards being a better country that take care of the needs of its citizens.

I thank you

N.A Hlubi
Acting-Municipal Manager

CHAPTER ONE



MUNICIPAL OVERVIEW

Introduction

Mafube Local Municipality is one of the local municipalities located within the Fezile Dabi District Municipality. The municipality was established in terms of the section 12 of the Municipal Structures Act, Act 1998 and following the local government elections of 2000. The municipality is made up of four towns, namely, Frankfort, Villiers, Cornelia and Tweeling. Frankfort serves as a home for the headquarters of the municipality. Loosely defined, Mafube is a South Sotho word for a place of dawn.

1.1 THE MUNICIPALITY

Mafube Local Municipality, like other municipalities in South Africa is an organ of state that is made up of Council, Administration and the Community. Each of these components work cooperatively in an interrelated and interdependent manner and each has organised structures.

1.2 COUNCIL AND COUNCIL COMMITTEES

Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The Mayor has certain legislative and delegated powers and appoints members of the Executive Committee in terms of sections 60 and 80 of the Municipal Structures Act, 1998. The Executive Committee is accountable and reports to the Municipal Council. The Council also has Portfolio Committees to oversee execution of various municipal functions and programmes so in essence the Council has the following structures to provide political oversight over municipal programmes and these are:

- Municipal Council
- Executive Committee
- Portfolio Committees

Council

The Mafube Local Municipality Council currently consists of 17 Councillors, 9 Ward Councillors and 8 Proportional Councillors. The following political parties are represented in the Council:

- African National Congress (ANC) 12
- Democratic Alliance (DA) 3
- Congress of the People (COPE) 2

Mafube Local Municipality performs the following powers and functions in terms of the constitution:

Category B Functions	Category C Functions	Provincial and National
Local Municipality	District Municipality	Provincial Government
Air pollution Building regulations Bill boards and display of advertisements Storm water Trading regulations Cleansing Facilities, accommodation and burial of animals Fencing and fences Local sport facilities Municipal parks and recreation Municipal planning Municipal public transport Municipal Licensing of dogs	Refuse removal and solid waste Municipal roads Municipal airports Fire fighting Markets Cemeteries Municipal public works Electricity regulation Municipal health Storm water Potable water Sanitation	Libraries Housing

Political structure

The political component of the Mafube LM is based on a Mayoral Committee system. The Mayor has certain legislative and delegated executive powers and appoints members of the mayoral committee in terms of sections 60 of the MSA. The Mayor and Mayoral Committee is accountable and reports to the Municipal Council.

There are various decision making structures within Council which include the following:

- Municipal Council;
- Executive Committee;
- Portfolio Committees
- Officials with delegated powers.

The Mafube LM Municipal Council currently consists of 17 Councillors, 9 Ward Councillors and 8 PR Councillors. The following political parties are represented in the Council:

African National Congress (ANC)	12
Democratic Alliance (DA)	3
Congress Of The People (COPE)	2

Mafube LM adopted the ward committee system. The municipality is currently divided into 9 wards, each with a Ward Councillor as Chairperson. Ward Committees meet once a month in order to discuss matters affecting its ward. In order to strengthen and improve the ward committee's capacity, a number of Community Development Workers have been appointed.

Executive Committee

The Executive Committee consists of three (3) members including the Mayor, these are Councillors appointed by the Mayor to perform functions for which the Mayor is responsible. All Members of the Executive Committee were allocated portfolios as per the functions of the municipality.

- CLLR. M.A Mosia EXCO Member
- CLLR. M.C DU Plessis EXCO Member

Portfolio Committees

Below is a list of Portfolio Committees and Councillors who served on these committees during the year under review.

1. Corporate Services

- Cllr. W.C Motloung (chairperson)
- Cllr. J.J Pretorius
- Cllr. N. Rakoloti

2. Community Services and LED

- Cllr. JJ Hlongwane (chairperson)
- Cllr. P Monaune
- Cllr. M Mofokeng

3. Planning and Infrastructure

- Cllr. L Kubeka (chairperson)
- Cllr. U.C Jafta
- Cllr. S.A Mosia

4. Financial Services

- Cllr. F Motloung (chairperson)
- Cllr. P Monaune
- Cllr. P Motloung

5. Public Safety and Service Delivery

- Cllr. M Mofokeng (chairperson)
- Cllr. M Sekhoto
- Cllr. M Hadebe

1. 3 MUNICIPAL ADMINISTRATION

The Municipal Manager is the head of the administration and is assisted by Directors, who manage the Departments of:

- Finance,
- Planning and Infrastructure,
- Community Services and LED,
- Public Safety and Service delivery,
- Corporate Services,
- Office of the Municipal Manager, and
- Office of the Mayor.

1.4 COMMUNITY

In accordance with the applicable legislation requiring participation of communities in the affairs of the municipalities, Mafube Local Municipality has established a number of structures and platforms for participation of communities. Over and above the participation of communities in Council meetings, the municipality has also established IDP Representative Forum that serves as a platform for community participation in the formulation and review of the IDPs of the municipality. In addition, the municipality has also established Ward Committees in all the 9 wards within its area of jurisdiction. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes.

The following are the Ward Committees established in various areas of the municipality and the members that constitute them:

Ward 1

Name & Surname	Sector Representation	Area
JE Sigasa		
Skosana Puleng Selina	Social Affairs	Mokaba Village
Molefe Puseletso Frans	Agriculture	Mokaba Village
Tsotetsi Tryphina Khozi	Projects	Magashule Section
Sibeko Nthabiseng Topsy	Education & Human Development	Tholulwazi Section
Mashinini Jabulani Johannes	Faith Based & Traditional Healers	Tholulwazi Section
Sekhoto Nthabiseng Jemina	Sports & Recreation	Mokaba Village
Makhubo Jacob Vusi John	Local Farms & Transport	Palmer Street

Ward 2

Name & Surname	Sector Representation	Area
Cllr JJ Hlongwane		
Mofokeng Mpuse Maria	Governance	Mamello Section
Mashinini Sonto Sarah	Home Affairs	Seabata Section
Khanye Modiehi Alina	Social Development	Seabata Section
Mosikidi David	Education & Human Development	Sunrise Section
Mokoena Maria	Health	Seabata Section
Gumede Elizabeth Sonto	Sports & Recreation	Mamello Section
Mofokeng Alina	Youth Development	Sunrise Section
Dladla Mziwakhe		Sunrise section
Shabalala Sonto		Sunrise section

Ward 3

Name & Surname	Sector Representation	Area
Cllr FP Motloung		
Xaba Nomacala Julia	Ward Committee Secretary	Molamodi Str, Qalabotjha
Khanye Authority	(Ward Committee Deputy sec) Youth, Sports, Arts &	Ext 6, Qalabotjha
Mokoena Ntswaki Lucy	Social Development	Ext 3, Qalabotjha
Rutse Malefu Elsie	Housing and Infrastructure	Ext 3, Qalabotjha
Thusi Nunu Martha	Health and Well being	Ext 3, Qalabotjha
Maduna Beigi Simon	Safety & Security	Thuthukani Str, Qalabotjha
Motsoeneng Victor Lehana	Communication & Education	
Ndaba Velaphi	Community Service	
Mokoena Tselane	Local Economic Development	

Ward 4

Name & Surname	Sector Representation	Area
Cllr MA Mosia		
Gamede Johannes Cishimpi	Infrastructure	Extension 6
Msimaka Lucas Buti	Education	Tshabalala Street
Mokoena Dikeledi Kate	Youth Development & Sports	
Mthembu William Patrick	Agriculture	Molope Street
Leotlela Elizabeth	Religion & Traditional Affairs	Koening Street
Tsotetsi Jemina	LED & Businesses	Mapena Street
Mokuene Rampou Phillipmon	Safety and Security	
Mahlophe Mahlopheho	Secretary	Dimaza Street

Ward 5

Name & Surname	Sector Representation	Area
Cllr JJ Pretorius		
Modise Emily Sussy	Secretary	Mamello Section
Matsole Emely Mamohau	Infrastructure	Mamello Section
Mamotsheare Mphuthi	Health and Social Development	Mamello Section
Mahlamba Mziwakhe Thomas	Safety and Security	Frankfort
Ben De Clerk	Agriculture	Frankfort
Johan Urgerer	Religion and Traditional Affairs	Frankfort
Kgauta Majola	Education and Communication	Butayi Section
Jerminah Khumalo		Butayi Section

Ward 6

Name & Surname	Sector Representation	Area
Cllr M Mofokeng		
Mofokeng Dibuseng Merriam	Sports & Recreation	Butayi Section
Khambule Aletta Buyisiwe	Safety & Security	Butayi Section
Moshodi Lebono John	Safety & Security	Butayi Section
Makhotsa Ntombizodwa Tryphine	Health & Well Being	
Mokoena Dinah Molebollo	Social Development	Butayi Section
Mazibuko Lefina Mashembe	Sports & Recreation	Sunrise Section
Motaung Thandiwe Evelyn	Social Development	

Ward 7

Name & Surname	Sector Representation	Area
Cllr UC Jafta		
Skosana Maria Maleki	Health & Wellbeing	Phahameng Section
Masiteng Nomakhubo Emma	Secretary	Phahameng Section
Nkutha Zandile Tryphina	Social Development	Phomolong Section
Motsima Malefa Mabel	Social Development	Phahameng Section
Tshabalala Mthandeki Prinse	LED	Phahameng Section
Mokoena Evelina Maleqhoa	Health & LED	Phahameng Section
Moloi Mathoto Maria		
Motaung Helepi Paulina		

Ward 8

Name & Surname	Sector Representation	Area
Cllr WC Motloung		
Mazibuko Simon Lekgotla	Sports & Recreation	Mokoena Section
Miya Norah Nondlela	Disabilities, Old Aged & Orphans	10th Street
Moquaqatsa Tiisetso	Home Affairs	Winnie Mandela
Mofokeng Joyce Jwalande	Health & Well being	Extension 1
Jokanisi Bricks Bulisile	Projects	Mzizi Street
Skosana William Mohobelo	Education & Human Development	Tsoku Street
Motaung Elizabeth	Police & Transport	Winnie Mandela
Dlamini Rosie Hluphekile	Agriculture	Chris Hani

Ward 9

Name & Surname	Sector Representation	Area
Cllr LS Kubeka		
Kubeka Mampele Ema	Health & Social Development	Extension 4
Molefe Anna Ntaoleng	Infrastructure	Extension 4
Zimu Abraham	Agriculture	Tshabalala Street
Morajane Papa	Sports	
Motaung Mmalefu Liesbeth	Religion & Traditional Affairs	Extension 3
Tsotetsi Lebona		Extension 3
Moremi Elizabeth		Extension 3

1.5 GEOGRAPHIC PROFILE

Mafube Local Municipality consists of four (4) towns (**Frankfort/Namahadi, Villiers/Qalabotjha, Cornelia/Ntswanatsatsi and Tweeling/Mafahlaneng**) as well as a rural area consisting mainly of commercial agriculture. Villiers, Tweeling and Cornelia are located in an area of agricultural significance and mainly provide restricted services in this regard to the surrounding rural communities and primarily accommodate farm workers migrating to these towns. The area of jurisdiction of the Mafube Local Municipality is situated in the north eastern part of the Fezile Dabi District Municipality region. The total estimated residents in the Mafube Region, is 57 876.

Frankfort/Namahadi is situated 55km east of Heilbron and approximately 120km south east of Sasolburg. The town was originally laid out on the farm Roodepoort & named Frankfurt after the German town by Albert van Gordon in 1869. The main street originally named 'Brand Street', later changed to JJ Hadebe Street, named after the 4th president of the Orange Free State, Sir Johannes Brand. During 1883, he visited the town & laid the corner stone of the Dutch Reformed Church. The Council for National Memorabilia declared the Magistrate's Office, Police Station & Post Office National Monuments.

Frankfort/Namahadi remains the growth point in Mafube and plays a major role in terms of a regional service provider and industrial and commercial development and it is a small town typically developed and serving the predominantly agricultural community. The R34 provincial road from Kroonstad to the KwaZulu-Natal Province extends adjacent to the town.

The Wilge River stretches adjacent to the town from south to the Vaal Dam in the north. Frankfort, although mainly an agricultural related town, does provide certain industrial growth potential. The industrial growth potential is mainly agricultural orientated

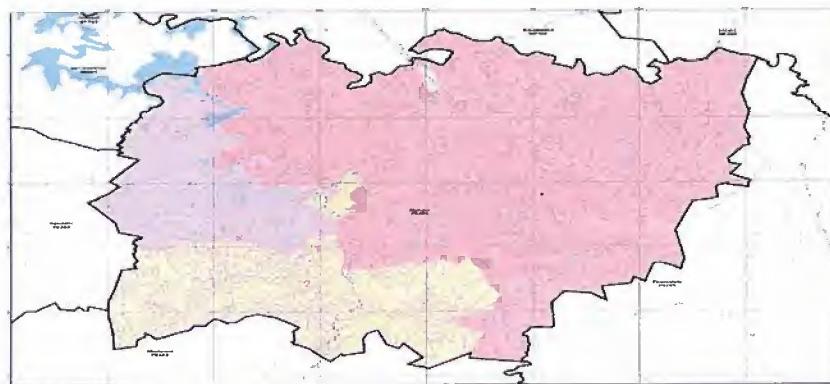
Tweeling/Mafahlaneng is located approximately 150 km east of Sasolburg and 350 km north-east of Bloemfontein and is situated adjacent to the Frankfort/Reitz primary road. Other larger centre such as Vereeniging and Vanderbijlpark are all within 160 km from Tweeling. Primary agricultural activities include sheep and cattle farming, maize and sunflower seed production. Other larger centres such as Vereeniging and Vanderbijlpark are all within 160km from Tweeling.

Villiers/Qalabotjha town area is situated on the banks of the Vaal River, adjacent to the N3 National Road between Gauteng and Durban. In relation to other major centres, the town is located 120 km from Johannesburg, 80 km from Vereeniging and 117 km from Sasolburg and is predominantly agricultural oriented where products such as maize, sunflower, wheat, grain, sorghum, meat and dairy products are produced.

Cornelia/Ntswanatsatsi is situated 60km east of Frankfort, 160km east of Sasolburg and 32km south east of Villiers. The town is situated adjacent the R103 secondary road between Warden and Villiers and further located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural area. Substantial future growth of the town is not foreseen.

The Vaal River and Vaal Dam form the northern boundary of the area, which also serves as the boundary between the Free State and Gauteng Province. The Vaal Dam, often referred to as the Highveld's Inland Sea, together with the Vaal River are the most prominent topographical features in the region. This vast expanse of water covers some 300 square kilometres. It serves as Gauteng's principal source of potable water and is a popular water sports and water related adventure venue. The Wilge and Liebenbergsvlei Rivers also drain from south to the Vaal Dam in the north.

FIGURE : MAFUBE LM: LOCALITY MAP



1.6 DEMOGRAPHIC PROFILE

The recent 2011 Census states that Mafube has a population size estimated at 57876. The population of the whole of Mafube is broken down as shown in the following figures:

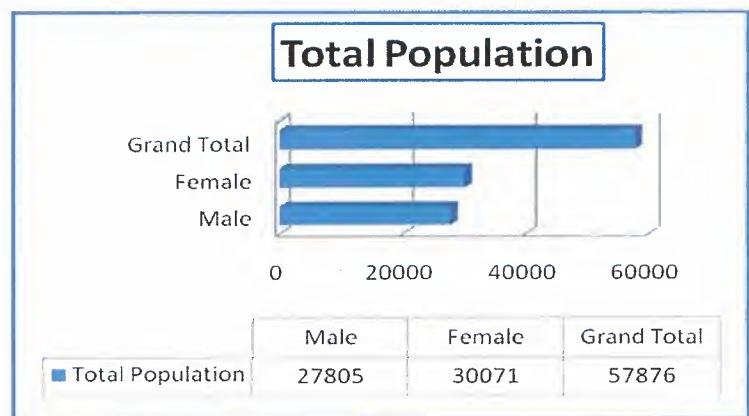
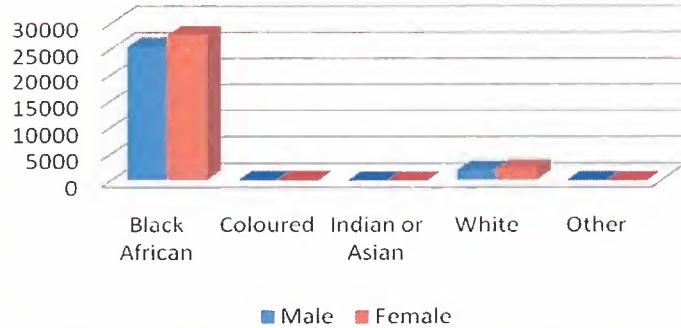


Figure 1.6.2 Population Group by Gender

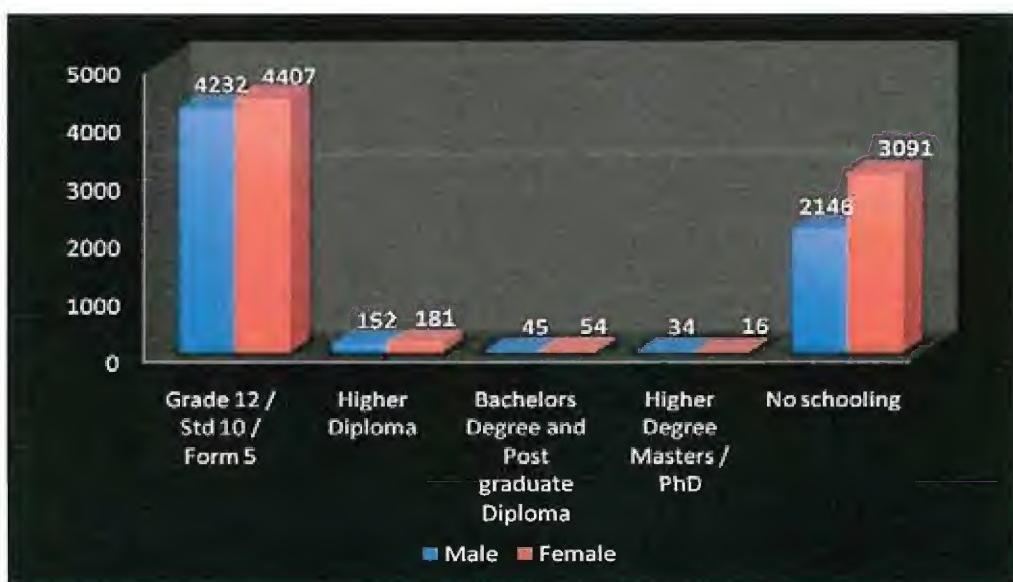
Population Group by Gender



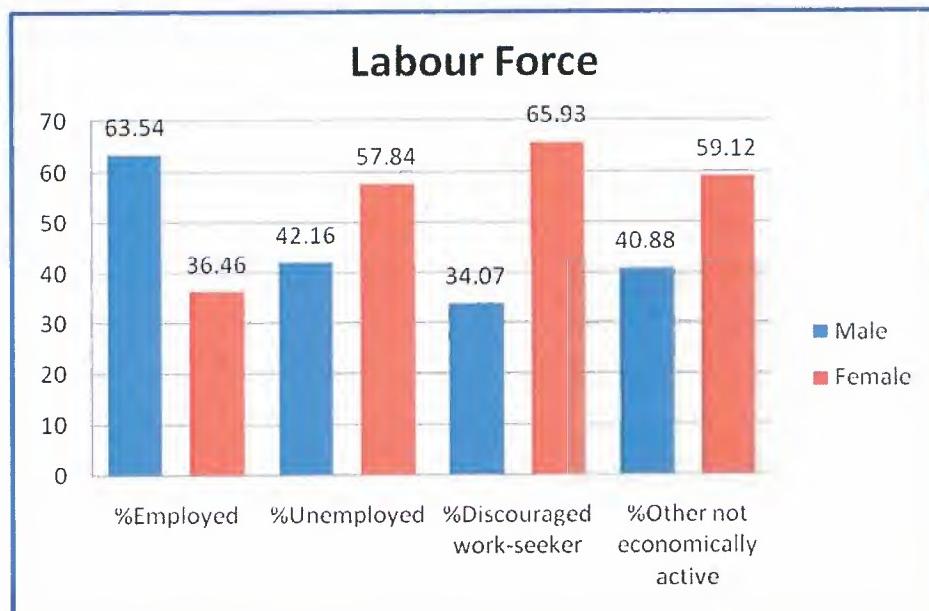
Census as at 2011

1.7 Employment and Education profile

Figure 1.7.1 Gender by highest education level



Figure; Labour force



Census as at 2011

1.8 Municipal Services profile

MUNIC IPAL FS 205	HOUSEHOLD SERVICES							
	Flush toilet connected to		Weekly refuse		Piped water inside dwelling		Electricity for lighting %	
	2001	2011	2001	2011	2001	2011	2001	2011
	59,8	77,2	72,3	80,2	16,1	39,8	72,7	84,4

Census as at 2011

CHAPTER TWO



G OVERNANCE

2.1 Governance Structures

Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The municipality has a Council made up of 17 Councillors. Nine (9) of the Councillors are Ward Councillors while eight (8) are drawn from the proportional representative list: The Council established an Executive Committee comprising the following members to provide leadership and guidance to the administration between Council meetings, The Mayor Cllr J.E Sigasa, Cllr M.A Mosia and Cllr M Du Plessis. The municipality has also established Ward Committees in all the 9 wards within the area of jurisdiction of Mafube. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes. In addition, the municipality has also established other forums to ensure structured engagement with the community and other key role players. These include the IDP Representative Forum established to ensure community input in the formulation of the IDP.

2.1.1 Political Governance Structure

Council

The municipality has a Council made up of 17 Councillors. The Mafube Local Municipality Council currently consists of 17 Councillors, 9 Ward Councillors and 8 Proportional Councillors

Executive Committee

The Executive Committee consists of three (3) members including the Mayor, these are Councillors appointed by the Mayor to perform functions for which the Mayor is responsible. All Members of the Executive Committee were allocated portfolios as per the functions of the municipality.

- CLLR J.E Sigasa Mayor
- CLLR. M.A Mosia EXCO Member
- CLLR. M.C DU Plessis EXCO Member

Portfolio Committees

The municipality also established Portfolio Committees to provide oversight over programmes of various directorates. Below is a list of Portfolio Committees and Councillors who served on these committees during 2014/15 financial year.

1. Corporate Services

- Cllr. W.C Motloung (chairperson)
- Cllr. J.J Pretorius

2. Community Services and LED

- Cllr. JJ Hlongwane (chairperson)
- Cllr. P Monaune
- Cllr. M Mofokeng

3. Planning and Infrastructure

- Cllr. L Kubeka (chairperson)
- Cllr. U.C Jaffa
- Cllr. S.M Mosia

4. Financial Services

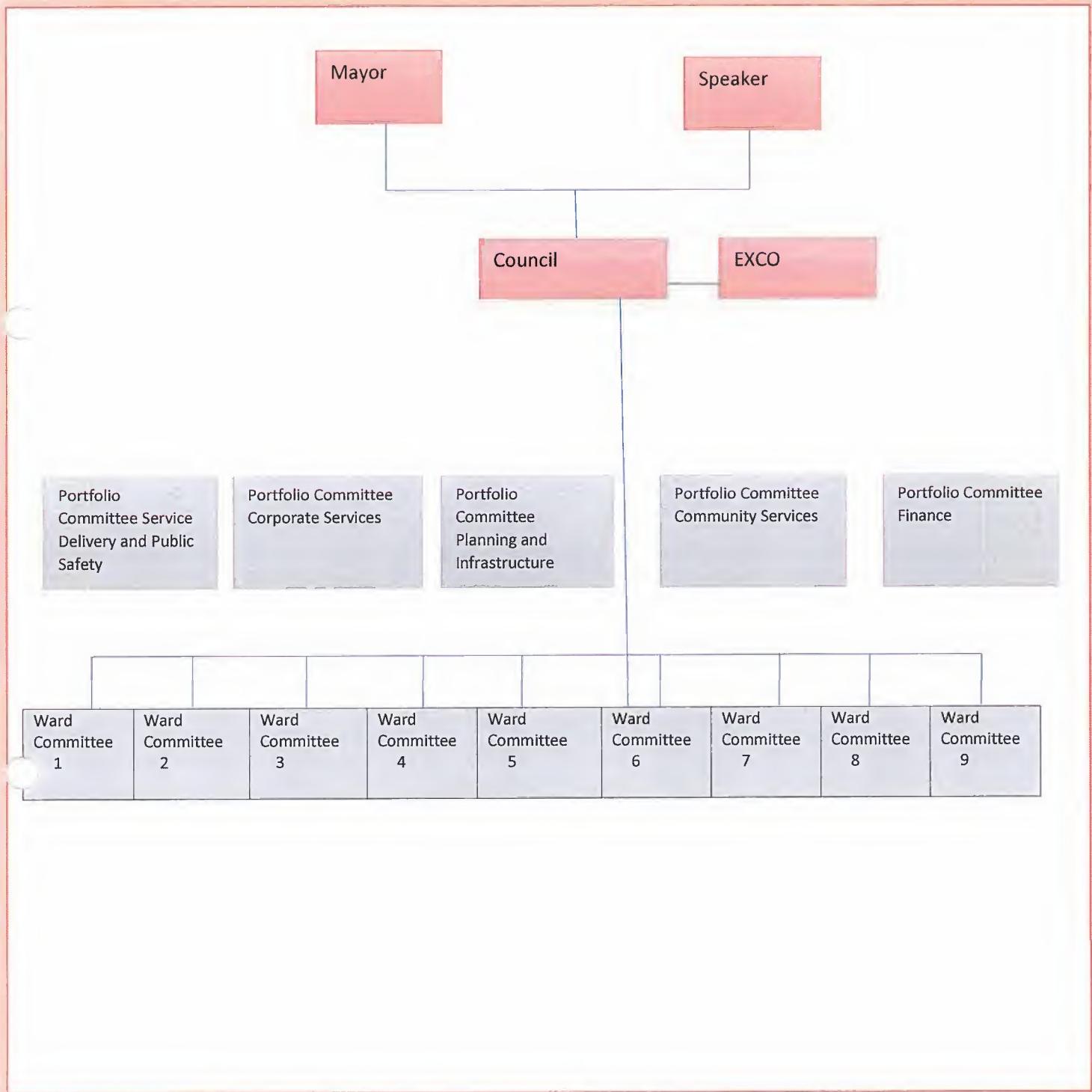
- Cllr. F Motloung (chairperson)
- Cllr. P Monaune
- Cllr. P Motloung

5. Public Safety and Service Delivery

- Cllr. M Mofokeng (chairperson)
- Cllr. M Sekhoto
- Cllr. M Hadebe

Political Governance Structure

Council



Council Leadership



Cllr. J.E Sisulu (Mayor)

Cllr. T.M Moloi (Speaker)



Cllr. P.M Monaune



Cllr. J.J Hlongwane



Cllr. W.C. Motloung



Cllr. S. Mosia



Cllr. F.P. Motloung



Cllr. L.S Kubeka



Cllr. M.M Sekhoto



Cllr. M. Mofokeng



Cllr. J.J Pretorius



Cllr. M.A Mosia



Cllr. P. Motloung



Cllr. M.C Duplessis



Cllr. U.C Jafta



Cllr. M.M Hadebe



Cllr. N. Rakotolo

2.1.2 Administrative Governance Structures

Mafube Local Municipality is a small Executive Committee type municipality with an administration organised into 5 programmes meant to support Council in the implementation of resolutions and policies within the broad framework of the IDP, applicable legislation and the Constitution. The programmes under the administrative leadership of the Municipal Manager are as follows:

- Financial Services;
- Technical Services and Infrastructure
- Community Services;
- Corporate Services; and
- Service Delivery and Public Safety

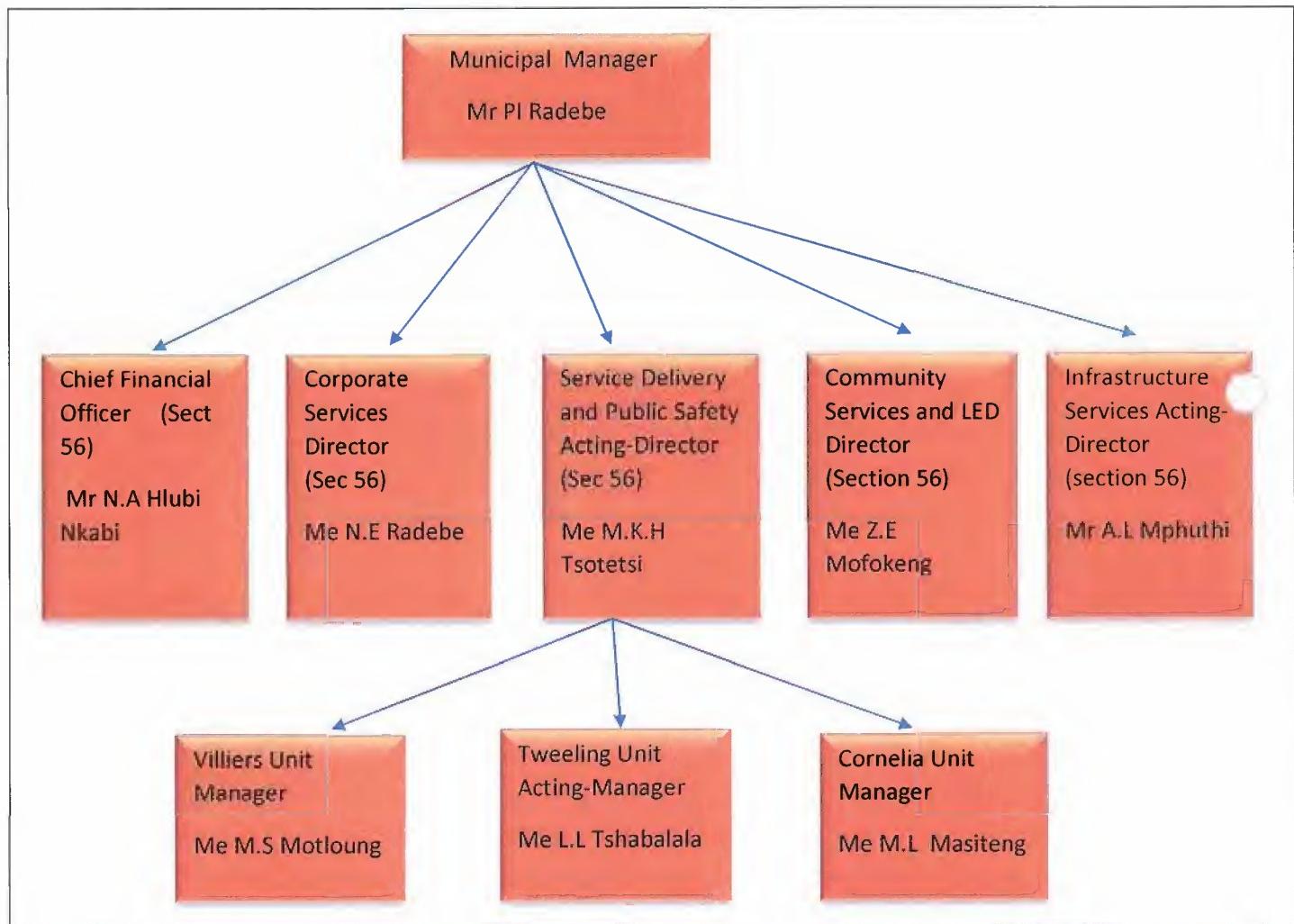
The programmes are structured and organised in a manner that takes into consideration the various constitutional and legislative mandates, powers and functions entrusted in the municipality. The Office of the Municipal Manager serves as a pivot that facilitates interface between the political offices, community and administration as key components of the municipality. The Office is also responsible and accountable for the overall implementation of municipal programmes. The Municipal Manager executes his functions in conjunction with or with the support of managers accountable to him/her. These managers (Directors) serve as heads of the various programmes highlighted above.

As part of planning, implementation and monitoring of municipal programmes, the Municipal Manager has set up management structures. The most critical is the management meeting. This is a forum that convenes once every week to report progress, review programmes and plan ahead on a weekly basis. The forum is attended by all the Directors, middle managers/supervisors responsible for certain key programmes and the heads of Units or regional offices of the municipality. This is a senior management team responsible for daily management of the municipality.

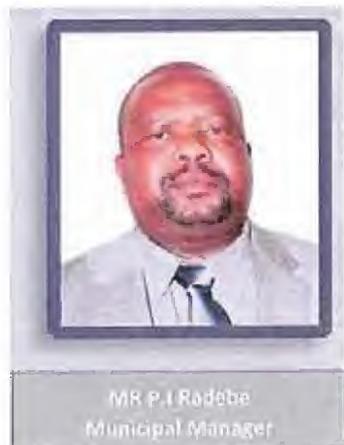
Executive Management

The top management team of the municipality referred to above is represented in the diagram below:

Top Management Diagram



Executive Management



Mr P.I Radebe
Municipal Manager



Ms Z.E Molokeng
Director: Community
Services and LED



Ms N.E Radebe
Director: Corporate
Services



Ms M.K.H Tsotetsi
Acting-Director: Service
Delivery and Public Safety



Mr A.L Mphuthi
Acting-Director Planning and
Infrastructure Services



Mr N.A Hlubi
Chief Financial Officer

2.2 Intergovernmental Relations

Intergovernmental Forums utilised by the Mafube Local Municipality:

- Premier's Coordinating Forum (MM and Mayor)
- Premier's Coordinating Technical Forum (MM and Technical Managers)
- SALGA: LED Committee, Finance Committee, Corporate Governance Committee
- DWA: Bulk Water Committee
- COGTA: Infrastructure Forum, IDP Forum, PMS Forum
- District: DCF, DME and Electricity Forum, LED Forum, Finance Forum, Corporate Services Forum, Technical Forum, IDP Forum

2.3 Public Accountability and Participation

2.3.1 Public Meetings

Mafube Local Municipality has cultivated a strong culture of public participation with numerous structures, systems and processes created to deepen public participation and promote public accountability. The municipality continuously advertises and issues notices for their Council meetings to which the public is invited to participate.

In addition, wherever there is a policy or by-law that is to be passed, the municipality regularly issues notices for public participation and/or feedback from the community. In addition, the municipality would also call public meetings where Councillors, officials and communities come together to discuss those policies and by-laws.

In addition, the municipality, under the leadership of the Mayor and Speaker regularly have meetings or 'imbizos' with the community to report on progress and challenges with the delivery of programmes and projects as contained in the IDP and SDBIP and also receive feed-back for corrective action and acceleration of delivery. This year the municipality held an LED feedback summit and Youth Feedback summit:

2.3.2 IDP and alignment

As per the requirements of the legislation and in keeping with the culture of public participation that has been cultivated over the years, the municipality continues to involve communities in the drafting of the new IDP and the Budget.

An extensive community participation programme that saw Councillors and officials crisscrossing the length and breadth of the Mafube consulting communities on key priorities and allocation of resources was unfolded. This community participation

programme that also involved extensive involvement of Ward Committees took place as outlined in the table below:

PHASE	DATES ON WHICH MEETINGS HAPPENED	ACTION FOR THE IDP REVIEW PROCESS
Preparatory Phase	August – September 2014	Draft IDP process plan Submission of IDP Process plan to Portfolio Committee Approval of IDP Process by Council
Analysis Phase	October – November 2014	IDP need analysis Compilation of ward profiles
Strategic Phase	November-December 2014	Development of objectives, strategies, projects & programmes (Mayoral Strategic Workshop)
Project Phase	January – February 2015	Formulation of project proposals Screen, adjust, consolidate and agree on projects
Integration Phase	February – March 2015	Alignment session with District
Approval Phase	March – May 2015	Table Draft reviewed IDP to Council Submission of the Draft IDP to FDDM and Cogta Advertisement for comments on Draft IDP Final adoption of the IDP & Budget by the Municipal Council Adoption of the SDBIP by Council

2.4 Corporate Governance

With respect to improving good corporate governance the municipality introduced various measures in the following areas:

Risk Management

The municipality has developed a Risk Management Unit which was able to develop a risk management register, risk management policy, risk management charter and the fraud prevention plan which is currently at a draft stage. The municipality has established a Risk Management Committee serving as an oversight on risk management issues within the municipality. The committee managed to hold three meetings in this financial year and will be sitting on a quarterly basis (4 meetings) in the next financial year.

The municipality received enormous support from the Provincial Treasury and the District Municipality in-terms of capacity building and ensuring that Risk Management is effective and efficient within the municipality.

Anti-corruption and Fraud

The municipality through the assistance of the District Municipality and Provincial Treasury has developed an Anti-corruption and Fraud prevention plan which is still at a draft stage. The municipality will ensure that the draft plan gets approved by Council and be implemented in the next financial year.

Supply Chain Management

The supply chain processes of the municipality are managed through a dedicated supply chain management unit. The unit is appropriately capacitated in terms of human resources and skills to be able to perform its assigned duties.

The municipality was able to develop an inventory management policy under the supply chain management which will manage the processes of the stores.

The municipality also developed a procurement plan to be implemented in the next financial year.

By-laws

The municipality continues to revise and develop by-laws to improve good governance, peaceful coexistence, service delivery and orderly development in Mafube. This financial year the municipality drafted a number of by-laws which were to be subjected to public participation processes before approval by Council. The draft by-laws developed include:

- Waste Removal
- Street Trading
- Outdoor advertising

Websites

The municipality's website is www.mafubemunicipality.gov.za which is functioning at a fairly basic level. The website is regularly updated through the work of a consultant. The municipality experienced challenges regarding the website whereby there were times where it was not functioning and important documents could not be publicized. The municipality is attending the matter through communication with the consultant on the solutions towards ensuring that municipal website becomes fully functional.

Public Satisfaction on Municipal Services

The municipality has not been able to undertake comprehensive public satisfaction surveys on municipal services, municipality however regularly interact with communities through various platforms and structures including Imbizos and ward meetings etc. where feedback on service delivery is obtained and discussed. The municipality acknowledges that this cannot be sufficient

and has engaged on plans to physically conduct the satisfaction surveys and was able to develop a satisfaction survey template which will be used in conducting the survey in the next financial year.

Municipal Oversight Committees

The municipality has established the Performance Audit Committee and the Municipal Public Accounts Committee which will be responsible to play an oversight role over the executive functionaries of council, ensuring good governance in the municipality and to advise the council and management of the municipality on various matters within the municipality.

CHAPTER THREE



SERVICE DELIVERY PERFORMANCE

This chapter focuses on reporting on service delivery based on the objectives and strategies that were contained in the municipality's IDP and SDBIP and the resources that were deployed as per the approved budget for the reporting period under review.

The municipality has five directorates (Service Delivery and Public Safety, Corporate Services, Financial Services, Community Services and LED and Planning and Infrastructure Services) and will outline the service delivery performance under each directorate.

SERVICE DELIVERY AND PUBLIC SAFETY DIRECTORATE

RURAL DEVELOPMENT PROGRESS REPORT

BACKGROUND

The establishment and execution of rural development programmes is encouraged and aligns itself to National CRDP (Comprehensive Rural Development Programme) of 2009 as approved by parliament aiming to mobilise and empower rural communities to take initiatives aimed at control of their own destiny - with the support of government. It proposes an approach that addresses basic needs of the person, household, community and space (infrastructure). Its success relies heavily on the participation of other departments in all three tiers of government and the involvement of relevant stakeholders, not least the villagers themselves. This in turn will ensure that the vision of creating vibrant, equitable and sustainable rural communities is realised, and the bleak image that haunts rural areas will finally be eradicated.

The following are the issues attended and outputs thus far i.e. until October 2014 as well as initiatives and processes underway.

Performance Area	Day to day Processes	Purpose	Actual Progress	Evaluation of the Process
Rural Development	Commercial Farmers' Mutual Working Relationship Marketing	To establish and/or realize mutual working relationships with local commercial farmers for extension & sustaining basic service delivery	First introductory meeting was held with seven structures of Agri – Free Stated under the capable leadership of President Dan Kriek and the delegation from SAPS on 24/07/2014 at Frankfort.	Completed

		<p>to rural backgrounds for an updated Indigent Register</p>	<p>This meeting also set in the objective of a build – up programme for the ensuing Rural Mayoral Imbizo of 2014, it was in this meeting where it was resolved that a follow up meeting will be held in the following week for structuring and paving way forward to maintained constant working relationships between two parties</p>	
	<p>Compilation of Farms Database & Classification of ownership</p>	<p>To obtain an informed, updated database of local farms within the jurisdiction of the municipality, profile them and categorize them into legal and/or registered ownership as per provision in deeds office so as to identify those that are in the ownership of the municipality also for rates & taxes billing purposes</p>	<p>Compilation of database is currently at an advanced level of velocity as undertaken in partnership with the Finance directorate in a form of accounts and property documents verification, a roadshow was undertaken by two directorates through convention of all seven associations of farmers in our locality as follows:</p> <ul style="list-style-type: none"> - 29/09 (Riversdal) – Frankfort district - 01/10 (Van Reenenskop) – Frankfort & Vaal region - 02/09 (Skurwekop) – Frankfort & Tweeling - 06/10 (Villiers & Graskop) - 09/10 (Cornelia) and - 13/10 (Tweeling) <p>These dates saw registration of 230 farms under all 7 associations registered in the database; the process was undertaken gradually in a sequence of five wards in three units of the municipality i.e. Ward 5 & 7 (Frankfort), Ward 4 (Villiers), Ward 8 (Tweeling) and Ward 1 (Cornelia). An advert was placed on Frankfort Herald calling out to farmers who do not affiliate into associations to attend to municipal finance department for registration.</p>	<p>Completed</p>
	<p>Identification & Analysis of Individual Farm Needs</p>	<p>To gather information and report back to the municipality on basic service delivery needs in individual farm per analysis report to assist the directorate in solicitation of necessary Public Participation Programmes directed</p>	<p>The office of the Speaker from Fezile Dabi District Municipality was requested support in collecting and compiling statistics of ID beneficiaries from all surrounding rural areas for purposes of potential LRB open day with the Department of Home Affairs. This is strategized in the nature of submitting stats to Home Affairs with names of farms for dispatch of a truck to a central farm where Fezile Dabi will assist</p>	<p>Ongoing</p>

		to each farm per identified need	with transportation of beneficiaries from other farms; the program is not yet completed because to this end, only following farms were attended to, i.e. Ooploop, Oudersdeel, Kliopoog, Anderkant, Vlakfontein (Ward 7 in Frankfort) as well as Beginsel, Kroontjie (Ward 8 in Tweeling), Graigilee, Plakop & Glen Alphen (Ward 4 in Villiers) ended with Grenfell (Ward 1 in Cornelia) in all afforded farms of the visit only 9 beneficiaries were noted thus far.	
Compilation and Management of Rural Schools Database	To gather information and report back to the municipality on the number of rural schools in our disposal, their capacity and also to assist the department to budget accordingly for support of needy schools and scholars	This was undertaken as a build up to the then anticipated Rural Mayoral Imbizo, the directorate has embarked upon rural services monitoring programme that directs special attention to rural schools. At this reporting stage, we have humanly requested for permission and cooperation of the farm owner and managed to re – install and/or repair windmill pump for the supply of drinking water for school pupils at Kolkie Skool under Tweeling. We will request an intervention from the Mayor's Office at the municipality or Speaker's office at District Municipality to donate a bike for 9 years old Radebe Neo who allegedly travels +/- 19 kms in and out of school on a day to day basis. NB: We await an indication of approval for cooperation with the district Department of Education to also conduct same operation in Marsala Skool catering for 26 pupils who like Kolkie Skool have since been carrying 2liters of drinking water each to school on a daily basis, in this case no cooperative negotiations have been entered into with the farmer as the pump was installed by the department concerned. We have at this reporting period also managed to assist with digging a hole for mounting a VIP toilet at Spitzhoek Skool for 18 school pupils who went a long period without such toilet structure. We will again for this school make special	Completed	

		<p>request as Kolkie Skool for bikes to be donated for 13 years old Motaung Selina and 9 years old Tshabalala Nombulelo who both succumb +/- 17 kms in and out of school on a day to day basis, this is not only behind the distance concern but also behind their vulnerability of being girls.</p> <p>Completion of these processes was supposed to pave way to the Rural Mayoral Imbizo that was supposed to kick – start with Crime Prevention Summit. However, the Imbizo could not have materialized with a concern from AGRI Free State (Representing Farmers in our locality) that the institution should first assist the process with focusing on technical issues pertaining to farm accounts as well as valuation roll of their properties so that Mayoral Imbizos are conducted jointly in their partnership with all slates clean.</p> <p>Therefore; all associations have displayed interest in partnering with the municipality in issues of service delivery until their concerns are met and addressed by the municipality.</p> <p>In anticipation to resolve and unlock rural development programmes, the Acting Municipal Manager (Mr. A Hlubi) had convened a meeting with Farmers' Associations (Free State Agri) on 16/03/2015 where processes of valuation roll and clarification of operative tariffs were discussed per attached minutes. (<i>minutes attached</i>)</p> <p>The second meeting of this nature was convened on 26 May 2015 where deliberations were made about the validity of the valuation roll, property rates policy as well as rates & taxes policy. This meeting was also undertaken as yet another form of 2015/16 Budget Public Participation process to farmers as beneficiaries. (<i>minutes attached</i>)</p>	
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CHALLENGES

- Administration of Rural Development programmes that are hanging ten due to outstanding valuation and other technical issues as registered by farmers associations
- Long anticipation of the Department of Education to unlock intergovernmental relations with the municipality for administration and delivery of basic services to rural schools

CORPORATE SERVICES DIRECTORATE

Challenges

- Filling of critical vacant posts such as the Director Infrastructure Services
- Poor maintenance of municipal buildings.

Highlights

- During this financial year the municipality embarked on a process of reviewing the organizational structure for the implementation in the following financial year (2015/16 financial year).
- The municipality revised the Workplace Skills Plan (WSP) as required by legislation and was submitted to the Department of Labour and LGSETA. The municipality ensured that the identified beneficiary employees were trained in various vocations and the Annual Training Report was compiled and submitted to the Department and SETA.
- Regarding the policies, the municipality developed the following new policies which were approved in the financial year:
 - -Code of conduct
 - -Travelling allowance
- On the labour relations front, the municipality continued to improve the overall functionality of the Local Labour Forum. The Local Labour Forum is functioning well and meetings were held many times as expected to attend a variety of labour issues at the workplace.
- The municipality continued with its Occupational Health and Safety by providing the employees with PPEs to ensure their safety at work.
- The municipality was able to appoint Manager Water Quality Services, Manager Environmental Services and the Human Resources Manager.

FINANCIAL SERVICES DIRECTORATE

Challenges

- Inadequate billing system
- Inadequate asset management system
- The municipality was unable to collect enough revenue, due to high rate of unemployed members of the community not registered as indigents and untraceable debtors
- Not being able to pay the creditors within 30 days as per the legislation

Highlights

- The municipality has in place a revenue enhancement strategy which will assist the municipality to be able to improve revenue collection.
- The municipality has embarked on the household profiling which will verify number of households that are able to pay and those that are indigents.
- The municipality was able to develop a new policy under supply chain management which will assist in running the processes of the stores, the policy is the inventory management policy.

COMMUNITY SERVICES AND LED DIRECTORATE

Challenges

- Ageing working equipment resulted in the services of waste removal within the community being hampered.
- The municipality was not able to make provision of dustbins as planned.
- Cemeteries and parks could not be fenced and paved, however the municipality is in communication with the Department of Environmental Affairs to assist the municipality in this regard.
- Landfill sites are not fenced and the access road is not paved as well, though the municipality was able to get the permits for them.

Highlights

- The municipality managed to create 26 EPWP employment opportunities
- The Provincial Government also appointed 96 beneficiaries through the work of EPWP
- The municipality has in place an Integrated Waste Management Plan (IWP) which was approved by Council on the 31st of March 2015.
- The municipality has in place a Local Economic Development Strategy inclusive of Agricultural Development plan and Marketing and Tourism plan which was also approved by Council on the 31st of March 2015.
- The municipality managed to receive the licenses for the landfill sites for the four towns, the municipality also managed to get assistance of R17m from DETEA for the establishment of landfill site in Villiers.
- The municipality embarked on cleaning campaigns which were conducted on a weekly basis
- The municipality was assisted with R1m by the Department of Public Works in refurbishing the parks in the whole area of Mafube.
- The municipality received an assistance of R6m from the DETEA to establish Kgatholoha Park in Namahadi and to maintain Qalabotjha Park in Villiers. The Department also assisted the municipality by planting 500 trees around Mafube.

Picture of Qalabotjha Park



2015/05/08 11:39

Picture of Namahadi Kgatholoha Park



2015/03/03 10:16

PLANNING AND INFRASTRUCTURE SERVICES DIRECTORATE

Challenges

- Ageing working equipment
- Old, poor maintenance and shortage of fleet.
- The municipality experienced water challenges in some of the areas within Mafube LM

Highlights

Water provision

- 100 households were provided with new metered yard connections, the process is still in progress and it is done in conjunction with the rapid bucket eradication project.
- The municipality also ensured that all the qualifying households are provided with free 6kl of water.

Sanitation

- 60 buckets have been eradicated through the R-BEP and work is in progress.
- 363 are being funded by FDDM and they are not complete (work is in progress).
- 100 buckets to be eradicated by FDDM and sewer pump station is under construction in Villiers the rest of the buckets will be eradicated under R-BEP.

Roads and storm water

- The District is assisting with roads and storm water infrastructure maintenance plan, it has appointed a service provider and the work is still in progress.
- The municipality also continued with maintenance of roads as and when was required

Electricity

- The appointment of a consultant to design and supervise the electrification of 273 households was done.
- Contractor appointed and work is in progress. 180 households will be electrified and a 3km MV feeder line is to be constructed

Town Planning

- Planning and surveying of erven, The Human Settlements department has since made an allocation of 2000 residential erven to be planned and surveyed in Mafube local municipality where the 2000 was divided into by the four towns. In Frankfort, about 700 erven are under the planning process, in Villiers 500 residential erven were anticipated but due to space constraints only 247 residential erven can be provided, in Cornelia and Tweeling 401 residential erven are under planning for each town. Therefore the 2000 is now reduced to 1749. In addition 421 erven are already planned and surveyed in the towns of Villiers and Cornelia in a form of subvisions. Procurement of services are underway for the establishment on 200 residential erven in the town of Frankfort.
- Establishment of 700 residential erven in Frankfort/Namahadi have now been surveyed and is approved by the surveyor general as Namahadi Ext.9;
- Establishment of 400 residential erven in Tweeling is on process of being surveyed;
- Establishment of 400 residential erven in Cornelia is awaiting MEC Signature at Townships Board;
- Establishment of 247 residential erven in Villiers is awaiting finalization from DESTEA.
- Regarding the establishment of a Municipal Planning Tribunal, Council has approved the Establishment of an MPT and the publishing of nominating members to serve on the Tribunal. The advert is published and External Members will be nominated by means of publishing a notice in the local media and the internal members will be appointed by the Municipal Manager.

STATUS OF THE 2014/15 PROJECTS

MAFUBE LOCAL MUNICIPALITY-2014/2015 PROJECTS

PROJECT DESCRIPTION	ACTIVITY	COMMENTS
Cornelia /Ntswanatsatsi Bucket Eradication	Project completed	Retention period complete and retention paid
Namahadi upgrading of gravel to paved roads and storm water drainage	1.1 km complete	780m under construction, the work is in progress
Namahadi construction of water reticulation with 1714 erf connections	Multiyear project	60 erf connections outstanding, work is in progress 97% complete
Qalabotjha Extension of the Waste Water Treatment Works	Multiyear project	61% complete work is in progress
Mafahlane/Tweeling upgrading of sports ground	60% complete	Work in progress
Namahadi/Kgatholoha upgrading of sports ground	60% complete	Work in progress
Namahadi MV feeder line		Partially complete
Energy Efficiency & demand Side Management (EEDSM)-		Work in progress
Eradication of Buckets in Mafube	Presidential Programme	Work in progress
Electrification of Namahadi (Phase3)	180 households to be connected	Contractor on site
Environmental Projects(Management of Parks): DEA		Work in progress.

ANNUAL PERFORMANCE INFORMATION.

**Actual performance against
SDBIP targets set for the
2014/15 Financial Year.**

ANNUAL PERFORMANCE REPORT
2014/2015 FINANCIAL YEAR

Office of the Municipal Manager						
Strategic Priority (SP)	Key Performance Area	Programmes	Objectives	Key Performance Indicators	Annual Target 2014/2015	Actual Achievement
					Source of Evidence	Reasons for Poor/Non Performance
more effective financial management and viability and institutional development and transformation	Financial management and viability	Internal Audit	To ensure that the municipality received a Qualification by 2015	Action plan compiled, approved and implemented	100%	80%
				Audit software in place	1	Not achieved
				Annual Financial Statement submitted to the Auditor-General by the end of August each year	100%	Achieved
				Number of internal audit recommendations implemented within specified time frames	100%	80%
		ICT	To ensure the effective, efficient and economical management of Systems' software	Number of ICT policy compiled, approved and reviewed annually	Approved ICT policies	Not achieved
				Systems' software	1	Achieved
					Certificate of licences	Target met
						Target met
						Further needs analysis will be conducted
						Target met
						Management to be held accountable for target set and not met
						Management to be held accountable for target set and not met
						Controls documents will be sent to the Management and Council for approval in 2015/16 financial year

	municipal facilities	installed and operational application software installed and operational	1	Achieved	Certificate of license	Target met	Target met
	General Control Information Technology designed and effected	All laptops and computers to have access controls	Not achieved	No evidence as the target was not met	The Controls documents need to be approved first for the implementation of the existing policies to take	Controls documents will be sent to the Management and Council for approval in 2015/16 financial year	
	ICT Steering committee to be established (Terms of reference and meeting schedule finalised)	Develop ICT Steering committee	Not achieved	No evidence as the target was not met	Lack of commitment from some of the Directorates	ICT Steering Committee will be developed in 2015/16	
	Number of units functional and on-line	Keep the 7 units online and monitor the system	Partly achieved	Screen shots	Due to financial constraints	Replacement of damaged equipment required	
	% of user complaints attended to within 24 hours of receipt	100%	Most of the complaints were attended to but there is no system of recording attendance and turnaround time	No evidence	Challenges experienced were absence of the monitoring system (help desk) and getting mode of transport to attend complaints timely	Job cards were drafted and will be sent to Management for approval	

	To improve external and internal communication	Number of newsletters produced and published	Produce and publish newsletter (12)	Not achieved	No evidence as the target was not met	Due to Communications Officer post having been vacant	Appointment of Communications Officer Post in 2015/16 financial year
		Number of interactions arranged with the print and electronic media	Arrange interactions with the print and electronic media (24)	Not achieved	No evidence as the target was not met	Due to Communications Officer post having been vacant	Appointment of Communications Officer Post in 2015/16 financial year
		% of information provided to the consultants for updating of the website	100%	40%	submitted information to the website	Due to Communications Officer post having been vacant	Appointment of Communications Officer Post in 2015/16 financial year

Ensure more effective, accountable and clean local government that works together with national and provincial government	Good Governance and Public Participation	Office of The Municipal Manager	To ensure that effective and efficient systems and processes of good governance are implemented and maintained	Annual review of approved 5-year IDP conducted in terms of MSA and MFMA (Annual Revised IDP must be adopted by Council by the end of May each year)	100% Achieved	Council resolution
				All compliant annual SDBIP approved within 14 days after the approval of the budget	Achieved	Approved SDBIP
				Compliant Annual Internal Audit Plan approved by audit committee before end of June each year	Achieved	Council resolution
				Three-year rolling coverage plan developed and approved	Achieved	Council resolution
			Number of audit committees held per annum	4	Achieved	Attendance Registers
			Review of audit charters completed annually (reviewed)	Review of audit charters completed	Council resolution	Target met
						Target met

charters must be approved by the Audit Committee)	annually (reviewed charters must be approved by the Audit Committee)			
% review of risk management strategy & policy (approved by risk management committee)	Review of audit charters completed annually (reviewed charters must be approved by the Audit Committee)	Achieved	Council resolution	Target met
Risk register reviewed and updated bi-annually	Risk register reviewed and updated bi-annually	Partially achieved (Review was done once)	Reviewed and updated risk register	In 2014/15 the risk register was still at a draft stage until towards the financial year end
Risk management committee (RMC) meetings held	4 in a year (One per Quarter)	Partially achieved (3 meetings held)	Attendance registers	Induction of the Risk Management Committee by the Provincial Treasury was done late, at the last month of the financial year
			Draft fraud prevention and anti-corruption plan	Awaiting the induction and awareness to the Risk Management Committee by Provincial Treasury
				The induction will be taking place in 2015/16 financial year

				and implemented			
	PMS	To ensure that a functional and effective Organisational Performance Management System (PMS) is adopted and implemented	Functional municipal performance audit committee established (<i>part of terms of reference of audit committee</i>)	100% Achieved	Performance Audit Committee meetings attendance registers	Target met	Target met
			Compliant performance agreements for MM and managers directly accountable compiled and signed on time and signed on time and acted upon	Achieved	Signed Performance Agreements	Target met	Target met
			Installation and adequate utilization of PMS software	Not achieved	No Evidence as the target was not met	Financial difficulties	The municipality is intending to embark on electronic Performance Management System 2015/16 financial year

Community Services and LED					
Strategic Priority (SP)	Key Performance Area	Programmes	Objectives	Key Performance Indicators	Actual Achievement
Build our local economy to create more employment, decent work and sustainable livelihoods	Local Economic Development	Job creation	To make a meaningful and visible contribution to employment creation	50 employment opportunities created through EPWP initiatives	Partially Achieved (26 were employed)
					Due to financial constraints

Reasons for Poor/Non Performance	Source of Evidence	Actual Achievement	Key Performance Indicators	Achieved	MSA and MFMA compliant Annual Report tabled in Council by 31 January each year	after the end of each quarter
					Oversight report submitted to Council within two months after tabling of Annual Report	Oversight report submitted to Council within two months after tabling of Annual Report
					Council resolution	Council resolution

	Growth in the local Economy	Monitoring and Evaluation of EPIP project implemented by the National Government	Steering Committee Meetings	Partially Achieved (FS Greening and management of parks project steering committee were held)	Attendance registers and reports	Illegal dumping and landfill sites management has been put on hold by the DEA (waiting approval from DEA)	A follow up will be made with the service provider in 2015/16 financial year
	Monitoring and Evaluation of youth in Waste implemented by the National government	Steering Committee Meetings	Partially achieved	Attendance register and presentation	A new service provider (Tholoana Consulting) was appointed replacing the previous one	Communication with the DEA will be done frequently in 2015/16 financial year	
	Community facilities	To promote access and utilisation of public and community amenities. (Sports Facilities)	Develop and implement maintenance Plan	Not achieved	No Evidence as the target was not met	Due to vacant post of Sports Officer	Sports Officer post will be filled in 2015/16
		Develop a general maintenance plan for equipment	Develop and implement general maintenance plan for equipment	Not achieved	No evidence as the target was not met	Maintenance was done as per program	Maintenance plan will be developed in 2015/16
		Existing community parks upgraded and implemented by	Steering committee meetings(4)	Achieved	Attendance register and progress report	Target met	Target met

National Department	Achieved	Progress Report	Target met	
Existing community parks maintained	Maintain the existing parks			Target met
Existing stadiums upgraded	Steering committee meetings	Partially Achieved	Due to the work being slow and Cash flow problems.	Completion of the Work
Existing cemeteries maintained	Continue with the maintenance in all cemeteries and inclusion of building plans for ablation blocks	Achieved	Progress Report on Cemeteries program and pictures	Target met
	New cemeteries established	Establish a new cemetery	No evidence as the target was not met	Establishment of a new cemetery will be done in 2015/16 financial year
Waste management	To provide affordable, effective, efficient and accessible waste management services to all communities	Service all the households	Waste removal program	Compact trucks were hired
	Business premises receiving refuse	Service rendered to businesses twice a week	Report Waste removal program	Target met

	removal services	Achieved	Council resolution	Target met	Target met
Approved Integrated Waste Management Plan (IWMP) implemented	Develop 1, with assistance from FDDM				Two officials will be employed in 2015/16 financial year
Waste management education and awareness programmes implemented	Have 1, awareness in each ward	Not achieved	No evidence as target was not met	Shortage of staff	
Effective management of landfill sites (existing & new) according to applicable legislation	Manage all landfill sites and comply with all legislation	Achieved	4 Licenses for the landfill sites	Target met	Target met
To develop and promote a clean and environment ally-friendly town & communities	Dustbins distributed to household s	Provision of refuse bins to households and comply with Waste Act	Not achieved	No evidence as the target was not met	Due to lack of funds
	Illegal dumps removed	Reduce number of illegal dumps	Achieved	Report on dumping sites reduced and pictures	Target met
By-Law on illegal dumping	Develop By-laws on illegal dumping	Draft Waste Management By-Law is available	Draft Waste Management By-law	Awaiting CoGta to conduct an a workshop on by-laws which took	An item will submitted to Council for

		enforced (fines and penalties)		and waiting for council approval		place late in the financial year	approval in 2015/16 financial year
	To increase access to community development services	Sports development programmes organised/offered	Organise sport development programs	achieved	OR Tambo Games report and pictures	Target met	Target met
		Sports and Recreation Councils	Revival of Sports and Recreation Councils	achieved	Sport and Recreation Report	Target met	Target met
	Arts and culture	To improve access and maximise utilization of arts and culture resources	Arts and culture forums established	Establish arts and culture forum	No evidence as the target was not met	Due to the vacant post of arts and culture official	Appointment of staff will take place in 2015/16 financial year
				Arts and culture programmes organised	No evidence as the target was not met	Due to the vacant post of arts and culture official	Appointment of staff will take place in 2015/16 financial year
	Local Economic Development	Growth in the local Economy	Ensure that Mafube Local Municipality has a 5 Year LED Strategic Plan.	Achieved	Council resolution	Target met	Target met
							Monitoring of registered cooperatives for all units will be
							Based on our anticipation, we assumed that many people will be interested in forming cooperatives

				as per the workshops and needs analysis done in Mafube, but many of them opted to register as individuals	conducted in 2015/16 financial year
		Sign a Memorandum of Understanding with Service provider to assist us in financing big projects	10	Not achieved	No evidence as the target was not met
		Register cooperatives around Mafube and assisting in fundraising		Achieved	Workshops attendance registers and meetings attendance registers
		Build stalls for SMMES		Not achieved	No evidence as the target was not met
		Agricultural development plan, developed, approved and implemented	1	Achieved	Agricultural development plan and Council Resolution (part of LED strategy)
		Agricultural individuals / cooperatives supported (engage with		Identify and register all agricultural cooperatives	Registration certificates and secure of names

	AFGRISA Dept of Agric	Register all cooperatives in Mafube LM				Target met	organizations will be done in 2015/16 financial year
	Marketing and tourism strategy and plan compiled and approved	Develop a marketing and tourism strategy	Achieved	Council resolution (part of LED strategy)	Target met	Target met	
	Approved marketing / outdoor promotions	Assist business to register	Achieved	Outdoor advertising by-law and Council resolution	Target met	Target met	
	Local jobs summit organised and convened	Hold one integrated Local jobs summit	Not achieved	No evidence as the target was not met	Due to financial constraints	Will be conducted in 2015/16 financial year	
	LED summit held	Hold one LED summit (Review LED Forum)	Achieved	Attendance register for LED Summit held	Target met	Target met	
	Employment opportunities created as part of LED	Create more Jobs per annum	Achieved	Employment contracts	Target met	Target met	
	Employment opportunity created through learnerships	100	Partially achieved two officials attending a learnership programs within the department	Time tables	Due to financial constraints	The learnership programs will be undertaken under the Skills Development Unit	

Strategic Priority (SP)	Key Performance Area	Programmes	Objectives	Key Performance Indicators	Service Delivery and Public Safety				Reasons for Poor/Non Performance	Corrective Measure taken/to be taken
					Annual Target 2014/2015	Actual Achievement	Source of Evidence	Report		
Mafube Music Festival		Develop local artists, culture, flea market	Talent search was conducted in March 2015 in Villiers, Reitschedisitswe Hall	Not achieved	No evidence as the target was not met	No evidence as the tourism strategy was approved late in the financial year	There were no guidelines as the tourism strategy was approved late in the financial year	Target met	Tourism indaba will be conducted in 2015/16 financial year	Target met
Mafube Tourism Indaba and Tourism Month	Disaster management	Development of tourism plan	Number of disaster awareness programmes conducted in partnership with District and local Industries	Conduct awareness programs	8	Not achieved	No evidence as the target was not met	Dependence of the District Municipality	Dedication of manpower by our municipality to disaster management issues in 2015/16 financial year	Hindered by establishment of District Disaster Advisory Forum that is supposed to also give birth to the Local Disaster Advisory Forum

		officers plans/training Speed cameras/payment of fines to pay points	Achieved	Attendance registers of CPF meetings	Target met	
	Safe communities	To support and strengthen the fight against crime in all communities	Improve our record keeping to ascertain participation in established CPFs	Improve the record keeping of minutes attendance registers and implementation of resolutions on number of CPF meetings and the programs held	No evidence as the target was not met	The local Crime Prevention Summit resolved that the plan be established through the Community Safety Forum which is currently under establishment
			Community safety plans established and functional	Develop a community safety plan	No evidence as the target was not met	Lack of capacity on speed machines among traffic officers
	Traffic officers	SCM Processes working equipment purchased (Speed cameras)	Not achieved	Not achieved	Training on speed machines will be provided for the traffic officers	Target met
	Establishment of the school road safety programmes for scholars	Development of school road safety programmes for scholars	Achieved	School Road safety program and pictures	Target met	Target met

Strategic Priority (SP)		Key Performance Area	Programmes	Objectives	Key Performance Indicators	Annual Target 2014/2015	Actual Achievement	Source of Evidence	Reasons for Poor /Non Performance	Corrective Measure taken/to be taken
Build integrated communities with access to improved quality of municipal services		Basic Service Delivery	Spatial Planning and Land use management as per the	To stimulate development through effective and efficient spatial planning, land uses and	Spatial development framework (SDF) developed and approved (including	Review SDF to accommodate new spatial developments	Not achieved	No evidence as the target was not met	Due to financial constraints from the side of Rural Development and Land Reform	SDF review is included in the 2015/16 municipal budget and procurement plan
Enhance support for provincial and national crime prevention initiatives		Adopt working program with sector departments & local stakeholders on monthly government themes	Attendance registers and pictures	Achieved	Attendance registers and pictures	Target met	Target met			
Community access to fire-fighting services (per ward)		Establishment of Satellite Fire station in Villiers	Not achieved	No evidence as the target was not met	Dependence on the District Municipality					
Implementation on Enhance support for provincial and national crime prevention initiatives		Number of fire-safety programmes conducted for the Community	Nine Awareness Fire Safety programs per ward	Partially achieved (2 awareness were conducted)	Fire safety program and pictures	Dependence on the District Municipality				
Planning and Infrastructure Services										

	provisions of the SPLUM A (Act no. 16. 2013)	building control	annual reviews				
		Land use management (lums) scheme developed	Develop a land use management scheme	Not achieved	No evidence as the target was not met	The service provider was appointed for the project but due to financial constraint, the service provider could not provide the documents	LUMS Included in the 2015/16 municipal and procurement plan
		Establishment of a Municipal Planning Tribunal (MTP)	Functional MTP	Target in progress (the advert went out and members of the MPT are to be appointed)	Advert for MPT and Council resolution	The advert was done late	The process will be finalized in 2015/16 financial year.
		conduct land audit	Finish with the land audits	Partially achieved (A draft land audit is in place)	Draft land audit	Verifications of the land audited still needs to be done	Land audit will finalized in 2015/16 financial year
		Planning and Surveying of Erven	Conduct planning and survey of erven	Partially Achieved (planning and surveying is completed in Frankfort)	Report on township establishment	Delays were experienced in Environmental Impact Assessment (DESTEIA), Waiting for Townships Board meetings	Other units will be completed in 2015/16 financial year
		Processing of Re-zoning, sub-division and consolidation applications	Finalise Re-zoning, sub-division and consolidation applications	Achieved	Approval letters	Target met	Target met

		Approving building plans and inspections conducted as per industry standards	Approve all building plans complying with all the requirements	Achieved	List of buildings plans approved and not approved	Target met	Target met
	Human settlements	To provide sustainable human settlements and improved quality of household life through accelerated delivery of housing opportunities and access to basic services	Number of beneficiaries identified as per approved housing allocations	Cannot be quantified	Achieved	Status report from the Department of Human Settlement	Target met
			Number of housing sector plan developed and approved	Review the housing sector plan	Not achieved	No evidence as the target was not met	The Review of housing sector plan will be done in 2015/16 financial year
			No. Of informal dwellers formalised	±2000 are awaiting approval	Not achieved	No evidence as the target was not met	The township establishment process is still being finalized
	Water	To ensure access to potable water	number of total HHs with	All formal household connected to water(Not achieved	No evidence as the target was not met	DWS intends to speed up the process and complete by the 15 th December 2015

		access to potable water in formalise d areas(yar d metered connecti on	total 2111 will be connected)				
		Number of HHs with access to potable water in informal areas(wate rtanker)	Source funding to formalize the households and connect all households	Partially achieved	Ministers report	DWS through Bloem water is assisting in this regard	Reticulation and house connection for 60 outstanding households are still to be done
	No. Of HHs provided with new metered yard connecti ons	Connect 2111 stands	(100 have been installed)	Namahadi Water Reticulation Report	Due to financial constraints the project was done in phases	Consultant still needs to finalize the detail drawing for the last 60 outstanding households	
	To ensure sufficient bulk supply of purified water	number of maintenance plan developed and implemented	Develop maintenance plan	Not achieved	No evidence as the target was not met	Financial constraints	Development of maintenance plan will be done in the 2015/16 financial year
	Number of bulk water	Maintenance of Bulk water Infrastructure	Partially achieved	N and C reports(service provider)	Financial constraints	Upgrade of our bulk system is required and have new ones	

	infrastructure maintained as per approved maintenance plan and budget	The infrastructure was being maintained as when need arise. Service provider was appointed for the work		
	To ensure the effective and efficient management of water resources	% of reduction in water distribution losses	Not achieved	No evidence as the target was not met
		Quantify all the reduction in water distribution losses. Install bulk and zonal meters in all units		Unavailability of adequate flow meters causes the persistent of leakages and bursts
		Number of reported water leaks repaired within 48 hours	Partially achieved Repair all water leaks in 48 hours	Complaints register Lack of working equipment Supply of working equipment
			85% of the reported incidents were addressed where the spares were available. Continuous process as when leaks or burst occur	Sampling and testing should be conducted regularly from accredited laboratories
	% of compliance with the blue drop water quality accreditation systems	Update BDS	Partially achieved (Operational information was loaded)	Compliance monitoring could not be performed due to financial constraints

		all households with access to decent sanitation	sanitation, with assistance from FDDM (363) Bloem water (3907)	60 buckets have been eradicated through the R-BEP and work is in progress. 363 are being funded by FDDM and they are not complete (work is in progress).		Bloem water and the DWS
	To ensure sufficient bulk infrastructure	Maintenance plans developed and implemented	Develop Maintenance plan	Not achieved	No evidence as the target was not met	Financial constraints Development of maintenance plan will be done in the 2015/16 financial year
		No. Of km's of outfall sewer line replaced	Done in conjunction with the bucket eradication above	Achieved	Pictures	Target met
		Number of bulk sewer infrastructure maintained as per approved maintenance plan and budget	Develop Maintenance plan	Not achieved	No evidence as the target was not met	Financial constraints Development of maintenance plan will be done in the 2015/16 financial year.

To ensure the effective and efficient management of the sanitation system and network	Number of reported sewer blockages attended to within 48 hours	Attend blockages within hours	all 48	Partially achieved 85% of reported incidents were addressed where spares were available	Complaints register	Ageing working equipment and non-availability of spares	Replacement of working equipment is required
	Number of working equipment's hired	Hire working equipment's / machinery		Not achieved No evidence as the target was not met	No evidence as the target was not met	Financial constraints	Procurement of own equipment
	% of compliance with the green drop quality accreditation system	Update GDS	the	Achieved	Daily sampling sheets	Compliance monitoring could not be performed due to financial constraints	Sampling should be conducted regularly from accredited laboratories
Electricity	To ensure access to electricity by all communities	Number of HHs with access to basic electricity in formal areas	273	to be electrified with assistance from DoE	Target in progress The appointment of a consultant to design and supervise the electrification of 273 households was done.	Monthly reports and site visits report	Will be complete by end of September 2015

		Contractor appointed and work is in progress. 180 households will be electrified and a 3km MV feeder line is to be constructed		
No. Of Hs provided with new metered stand connections informal areas	2014/15 Projects	Achieved	Site visit reports and Pictures	Target met
No. Of new street lights and high mass lights installed	Connect the mast high lights	Achieved	Progress report	Target met
To ensure sufficient bulk supply of electricity	The work for the connection is completed for 4 in Namahadi			Target met
No. Of sub-stations upgraded /erected	Done By Rural Maintenance	Not achieved	Financial constraints	Projects were sent to department of energy awaiting response
No. Of km's of bulk supply line constructed	Information not available (The service provider)	Done By Rural Maintenance	Financial constraints	Will be done by September 2015
Num b		Done By Rural Maintenance	The service is done by a Service	

				Done By Rural Maintenance	The service is done by a Service provider (Rural Maintenance)
				Done By Rural Maintenance	The service is done by a Service provider (Rural Maintenance)
				Done By Rural Maintenance	The service is done by a Service provider (Rural Maintenance)
				Done By Rural Maintenance	The service is done by a Service provider (Rural Maintenance)
				Done by Rural Maintenance in Mafube Project	The service is done by a Service provider (Rural Maintenance)

		lights and high mass lights maintained	conjunction with the Energy Efficiency Demon Side Management(EE DSM)	provider (Rural Maintenance)		
	Roads and storm water	To ensure sufficient roads and stormwater networks to all communities	Develop maintenance plan	Not achieved	No evidence as the target was not met	Will be developed in 2015/16 financial year
		Number of maintenance plan developed and implemented				Financial constraints
		Total km's of roads upgraded to surfaced roads(tar/paved)	1.0 km will be upgraded to paved road	Not achieved	No evidence as the target was not met	Will be done in 2015/16 financial year
				Achieved	Report	Target met
		Total km's of gravel/un-engineered roads(dirt roads)graded				Target met
	Total km's of roads and storm water	Develop roads and storm water	Target in progress	Progress report	Three year project	The District is assisting with rural road asset management system

	stormwater infrastructure maintained as per approved maintenance plan and budget	maintenance plan	for the municipality a service provider (Flagg) has been appointed.
Total km's of new stormwater channels erected	Target in progress	Progress report	Three year project The District is assisting with rural road asset management system for the municipality a service provider (Flagg) has been appointed.
Total km's of existing stormwater channels upgraded	Develop a master plan for roads and storm water channels	Progress report	Three year project The District is assisting with rural road asset management system for the municipality a service provider (Flagg) has been appointed.
Number of roads and stormwater master plan developed and approved	Target in progress	Progress report	Three year project The District is assisting with rural road asset management system for the municipality a service provider (Flagg) has been appointed.

		Corporate Services		Part of a Three year project	The District has appointed a service provider for the software. Work is in progress				
Strategic Priority (SP)		Key Performance Area	Programmes	Objectives	Annual Target 2014/2015	Actual Achievement	Source of Evidence	Reasons for Poor/Non Performance	Corrective Measure taken/to be taken
		Organisational structure compiled and reviewed	Reviewed Organisation structure as per the regulations	Target in progress	Agenda and attendance registers of the management meetings and Council resolution	Costing of the structure	Organizational Structure will be submitted to Council for approval in the first quarter of 2015/16 financial year.		
		Number of critical posts to be filled	Filling of vacant posts for section 56 manager And other posts as determined by Council	Partially achieved (HR Manager, Environmental Services Manager and Water Quality Manager posts were filled)	Appointment letters	Some critical posts were filled.	Post such as the Director Technical Services awaits Council resolution	Technical Director and Communications Officer posts were advertised but due to financial constraints the posts have been put on hold.	
		Compilation and submission of WSP/DOI annually to LGSETA and training	To train and develop 300 employed officials and 250 unemployed learners	Partially achieved (24 officials were trained)	Training report	The municipality owed Skills Development Levy	SDL will be paid so the municipality can be able to obtain grants in 2015/16 financial year		

	implementation and capacity building						
	Employment equity (EE) plan and report compiled and submitted annually to the Department of Labour on time	To submit the employment equity on time and establishment of EE committee	Partially Achieved (Submission was done and the establishment of EE committee was not done)	Proof of submission of Employment Equity	Lack of capacity	Establishment of EE committee in 2015/16 financial year	
	Time management systems effectively implemented	Electronic Time Management System implemented	Partially achieved	Pictures	Thumb detector were installed but not yet functional due to financial challenges.	Project to be continued in 2015/16.	
	Employee wellness programmes held	Employee Assistance programme developed and implemented	Achieved	Attendance register of programs conducted	Target met	Target met	
	Occupational Health and Safety	To Comply with the OHS Act/legislation	Partially achieved (provision of PPE was done and nonpayment of compensation fund was experienced)	Register	Financial constraints	Committing to paying compensation fund in 2015/16 financial year	

		Develop and implement the Comprehensive HIV/AIDS Programme	Achieved	Council resolution on Hiv/Aids policy	Target met	Target met
	Effectiveness of Local Labour Forum and Sub-committees	Minimum of 4 meetings	Achieved	Attendance registers	Target met	Target met
		Number of disputes and grievances (stage 1 to 3)	Handle all disputes and grievances within the required period as per the legislation handled in terms of the collective agreement (turn around time is within 90 days)	Labour relations Report	Target met	Target met
		Number of human resources related policies compiled and reviewed annually	Review the 17 policies.	Partially achieved	Council resolution	The review dates of the policies is March 2016 Policies will be reviewed in 2015/16 financial year

				Timely Capturing and Monitoring of leave	100% capturing of all leaves	Achieved	Leave register	Target met	Target met
	Admin and Legal Services	To create a working environment that enables good staff morale, high performance and Effective functioning of council	Annual council programme compiled and approved by end of June each year	Implementation of Council agenda	Achieved	Approved Annual Council Program (Council schedule of meetings)	Target met	Target met	
				Number of agendas for council, and portfolio committees delivered on time (EXCO, Ordinary Council, Special, LLF, Portfolio)	Distribution of 4	Achieved	Council Agenda and attendance Register	Target met	Target met
				Compilation and delivery of agendas for council, and portfolio committees on time (EXCO	Timely delivery of agendas for council	Achieved	Council Agenda Delivery register	Target met	Target met

Financial Services							
Strategic Priority (SP)	Key Performance Area	Programmes	Objectives	Key Performance Indicators	Annual Target 2014/2015	Actual Achievement	Source of Evidence
Ensure more effective financial management and viability	Sound financial management and viability	Billing, Customer Care, Credit Control and Cash management	To ensure the effective management of municipal revenue and cash flow according to national norms and standards.	Undertake water meter audit.	100%	Not achieved	No evidence as the target was not met
				Issue accounts before the 7th of every month	12 months	Partially achieved	Copies of accounts sent
				Reduce the number of customer queries.	60%	Achieved	Customer complaints register
				Quarterly Updated	4 Quarterly Updates	Achieved	Indigent register
						Target met	Target met

	Indigent Register.	30 September 2014	Achieved	List for incentives scheme arrangements and notices	Target met	Target met
	Implement the Incentive scheme to recoup 50% of Outstanding Debt.					
Daily Banking of monies collected.	100%	Achieved	Copies of daily receipts and copies of bank book	Target met	Target met	Target met
Link all electronic payment to relevant accounts.	100%	Achieved	Bank reconciliations	Target met	Target met	Target met
Supply Chain Management	To ensure that free, fair, equitable, transparent, competitive and cost effective supply chain management is achieved	Implementation of an effective Database	Supplier data base	Supplier data base	Target met	Target met
		Complete database of accredited service providers				
Development of a Procurement Plan	30-06-2015	Achieved	Procurement plan	Procurement plan	Target met	Target met
Contract management & monitoring	100%	Achieved	Contract register	Contract register	Target met	Target met
Reporting of Contract above R100 000 to Treasury	Monthly	Achieved	Proof of submission to Treasury (CRA reports)	Proof of submission to Treasury (CRA reports)	Target met	Target met

	Expenditure Management	To implement an effective and efficient system of expenditure management.	Timely receipt of salary changes	10th of each month	Not achieved	No evidence as the target was not met	Submission of salary changes were received late from officials	Memorandums are sent to the directorates to submit on time
		Timely payment of third parties	7th of each month	Not achieved	No evidence as the target was not met	Due to financial constraints	Revenue enhancement strategy was developed and being implemented	Revenue enhancement strategy was developed and being implemented
		Timely payment of salaries	25th of each month	Partially achieved	Checklist	Due to financial constraints	Revenue enhancement strategy was developed and being implemented	Revenue enhancement strategy was developed and being implemented
		Reduction of fruitless & wasteful expenditure		Not achieved		Due to financial constraints	Revenue enhancement strategy was developed and being implemented	Revenue enhancement strategy was developed and being implemented
	Budgeting and Reporting	To ensure that the municipal budget and financial reporting processes are complaint with applicable Legislation	Payment of creditors within 30days	Monthly	Not achieved	No evidence as the target was not met	Due to financial constraints	Revenue enhancement strategy was developed and being implemented
				Approved by 30 May 2014	Achieved	Council resolution	Target met	Target met
				Approved policies by 30th of May 2015	Achieved	Council resolution	Target met	Target met
				Submission of Section 71 Reports within 10 working days after end of	Partially achieved	Acknowledgement \$	Financial system challenges	Timely processing of month end procedures on the system is currently being done

	each month.	After the end of each Quarter	Achieved	Proof of submission (acknowledgement)	Target met	Target met
Submission of quarterly National Treasury returns	Submission of Mid-year Budget assessment and Budget Adjustment report	By 25th of January 2015	Achieved	Council resolution	Target met	Target met
		Submission of Banking details to Provincial and National Treasury	By the 1st of July 2014	Achieved	Proof of submission (acknowledgement)	Target met
	Financial Accounting and Assets Management	To ensure that the municipality compiles & timely submit credible GRAP complaint Annual Financial Statements	Monthly reconciliations	12 Monthly Recons	Reconciliations done	Target met

	Consumer Deposits.		Not Achieved	Vat schedules	Delay in the closing of the month	Delay in the closing of the month
Submission of six monthly AFS Returns	By the 25th of each month					
Compilation of the Trial Balance (TB)	2 Sets of AFS (AFS were compiled once)	Not achieved Achieved	Financial Accountant	Expiry of the Case-ware due to financial constraints	Expiry of the Case-ware due to financial constraints	
Suspense Accounts are Investigated & cleared timely.	12 monthly TB's		Trial balance	Target met	Target met	
Ensure proper classification of transactions in the General Ledger (GL)	All suspense accounts cleared by year end	Not Achieved	Vote of the suspense account	Due to high volume of work required in preparation of AFS, the unit's capacity was unable to allocate resources	Due to high volume of work required in preparation of AFS, the unit's capacity was unable to allocate resources	Due to high volume of work required in preparation of AFS, the unit's capacity was unable to allocate resources
Perform year end procedures	All transaction properly Classified	Achieved	GL	Target met	Target met	
Submit Draft AFS for review to the Audit Committee	7 days after year end	Target in progress	eVenus	Not met	Not met	Due to high volume of work required in preparation of AFS, the unit's capacity was unable to allocate resources

		Submit AFS to Auditor General & National Treasury	31th of August 2014	It was achieved in the first quarter	Proof of submission to AG	Target met	Target met
	Management Responses to Audit Queries	We are currently still attending to queries raised by the Auditor General		Part of the queries will be addressed by and through the Journals to comparatives	Not Achieved	Not Achieved	
	Development of the Audit Action Plan	The audit action plan has been compiled and submitted to the management team for implementation			Not Achieved	Audit Action Plan	

CHAPTER FOUR



O RGANIZATIONAL DEVELOPMENT PERFORMANCE

4.1 Introduction to the municipal workforce

Workforce establishment

Mafube Local Municipality is small Executive Committee type of a municipality. The workforce in the administration headed by a Municipal Manager is made up of six section 57 managers (including the Municipal Manager) middle managers, low level officers and the general workers located in various divisions and Units of the municipality. Below is a table that represents the total workforce of the municipality as at the end of the 2014-2015 financial year.

Directorate	Filled positions	Vacant posts	Total
Mayoral Office	10	1	11
Speakers' Office	9	1	10
Municipal Managers' Office	9	3	12
Corporate Services	24	5	29
Financial Services	28	12	40
Community Services & LED	66	38	104
Planning & Infrastructure Services	87	29	116
Public Safety & Service Delivery	19	5	24
Villiers Service Delivery Unit	101	52	153
Tweeling Service Delivery Unit	49	37	86
Cornelia Service Delivery Unit	46	29	75
Total Number	448	212	660

4.2 Managing the Workforce

The municipality embarked on a process of reviewing the organisational structure in this financial year and the structure is currently still in its final stage of the review and will be implemented in the next financial year. Below is a diagram representing the organisational structure (top level) of the municipality which was operational during the 2014-2015 financial year. The structure represents the top level structure of the municipality only showing top management while the total structure (not showing) would depict location and placement of the workforce above.

Organisational Structure

The top structure of the municipality for the period under review was as follows:



4.2.1

Functions and Responsibilities

The municipality is administratively organised into 6 programmes meant to take the vision of developmental local government forward under the leadership of the Municipal Manager. The programmes are:

- ◆ Office of the Municipal Manager
- ◆ Budget and Treasury Office
- ◆ Planning and Infrastructure Services
- ◆ Community Services
- ◆ Corporate Services
- ◆ Service Delivery and Public Safety

Office of the Municipal Manager

This programme is meant to provide overall strategic management for the municipality.

Objective	Key Focus Areas
To oversee overall programmes of the municipality, coordinate and manage the transformation and strategic agenda of the municipality as well as facilitating the transformation process by providing strategic advice and project support to the Municipal Manager, Mayor and Speaker and thereby ensuring political and administrative cohesion.	<ul style="list-style-type: none">◆ Integrated Development Planning (IDP)◆ Performance Management◆ Local Economic Development◆ Implementation Support◆ Information Management and Technology

Budget and Treasury Office

This programme is responsible for the general management of finances of the municipality.

Objective	Key Focus Areas
To manage and control all financial functions of the municipality so that the current and future effectiveness of Council services, programmes and operations is asserted in a sustainable way.	<ul style="list-style-type: none">◆ Budgeting◆ Credit Control, Billing and Collections◆ Financial Accounting◆ Budgeting and Financing◆ Assets management◆ Insurance and public management◆ Banking and Investments◆ Management Accounting◆ Supply Chain Management◆ Meter reading

Planning and Infrastructure Services

This programme is broadly responsible for infrastructure development, service delivery and maintenance (internal and external).

Objective	Key Focus Areas
To deliver infrastructural services in a manner that achieves a high level of customer satisfaction and cost effectiveness, improving on benchmarks and ensuring provision of housing.	<ul style="list-style-type: none">◆ Water and sanitation◆ Town planning◆ Electricity◆ Road and Storm Water◆ Mechanical Services

Community Services

This programme attends to social issues involved in the development of Mafube community

Objective	Key Focus Areas
To ensure that social services are effectively provided to the Mafube community.	<ul style="list-style-type: none">❖ Municipal health – and primary Health Care services❖ Library Services❖ Social Development❖ Environmental Management❖ Waste Management❖ Public Safety❖ Sport and Recreation❖ Emergency Services❖ Arts and Culture❖ Cemeteries❖ Refuse Removal

Service Delivery and Public Safety

This programme is meant to deal with issues relating to provision of services in all units as well as traffic and security management.

Objective	Key Focus Areas
To ensure provision of basic services to the rural areas as well as ensuring that traffic and security are properly managed	<ul style="list-style-type: none">❖ Unit functioning❖ Traffic Management❖ Security Management❖ Rural Development

Corporate Services

This programme is meant to provide organizational support services to the municipality.

Objective	Key Focus Areas
To provide internal support services, facilitate transformation and ensure service excellence to the Mafube Community.	<ul style="list-style-type: none">❖ Human resource management/development❖ Corporate Management Support❖ Legal Services❖ Corporate branding❖ Committee Secretariat

4.3 Capacitating the Municipal Workforce.

Skills Development Report

The following programs were implemented upon Agreement that the LGSETA as a program funder between Kgolo Institute and Central University of Technology in assisting the Free State Municipalities in capacitating its employees in meeting the Minimum Competency Requirement as required by the National Treasury Regulations and a compliance matter.

MFMP – 12 Months Learner-ship Program

Surname & Name	Institution	Course Name
Maduna David Mhlupheki	Central University of Technology	MFMP
Motaung Nomasonto Evelyn	Central University of Technology	MFMP
Ngozo Isaac	Central University of Technology	MFMP
Rapulungoane Thabiso Andries	Central University of Technology	MFMP

PFMA – 12 Months Learner-ship Program

Surname & Name	Institution	Course Name
Gaba Vernon Gavin	Central University of Technology	PFMA
Pule Nonyana	Central University of Technology	PFMA
December Ntombela	Central University of Technology	PFMA
Dini Nomayeza	Central University of Technology	PFMA
Mlambo Phindile Joyce	Central University of Technology	PFMA
Tshabalala Lindiwe Lydia	Central University of Technology	PFMA
Sibeko Lizbeth Tebele	Central University of Technology	PFMA
	Central University of Technology	
Radebe Sipho Basil	Central University of Technology	PFMA
Dlomo Nthabiseng	Central University of Technology	PFMA
Kubeka Nthabiseng	Central University of Technology	PFMA
Earnest Nxayi	Central University of Technology	PFMA

IDP Skills Program – 6 Months

Surname & Name	Institution	Course Name
Mhlambi Ndhlapu Lukas	Central University of Technology	IDP
Mofokeng Teboho Thys	Central University of Technology	IDP

LED Skills Program - 6 months Program

Surname & Name	Institution	Course Name
Hlalele Nomnambithi	Central University of Technology	LED
Morena Tsotetsi	Central University of Technology	LED
Motloung Phindiwe	Central University of Technology	LED

Training Programmes Implemented - Bursaries

No.	NAME OF LEARNER	SURNAM E OF LEARNE R	DEPARTME NT	TYPE OF LEARNERSHIP PROGRAMME ENTERED	NQF LEVEL	INSTITUTION
1.	Thabo	Sekhoto	Office of the Mayor	Communication Science	5	UNISA
2.	Cynthia	Motaung	Office of the Mayor	B Bachelor of Social Worker	6	UNISA
3.	Abram	Mgcina	Finance	B Com Financial Accounting	6	UNISA
4.	Hlomlani	Dlamini	Office of the Municipal Manager	Postgraduate Diploma in Internal Audit	7	UNISA
5.	Ramothibe di	Mokoena	Office of the Mayor	Emerging Management in Municipal Governance	6	NORTH WEST UNIVERSITY
6.	December	Ntombela	Office of the Municipal Manager	Professional development in Auditing	7	INSTITUTE FOR INTERNAL AUDITORS
7	Mamohau	Mokoena	Finance	Assets Management	5	UNIVERSITY OF PRETORIA
8	Mokukhanya	Radebe	Planning & Infrastructure	Masters in Infrastructure Development	8	UNIVERSITY OF PRETORIA

4.4 Managing The Municipal Workforce Expenditure

Remuneration of Municipal Manager: Mr P.I Radebe		
	2015	2014
Annual Remuneration	589,323.00	548,345.00
Backpay	27,562.00	4,354.00
Contribution to SDL	10,233.00	9,265.00
Contribution to UIF	1,785.00	1,785.00
Medical Aid and Pension Fund	225,807.00	224,821.00
Leave payout	-	-
Travel Allowance	225,706.00	234,086.00
Total	1,080,416.00	1,022,656.00

Remuneration of Chief Financial Officer: Mr A Hlubi		
	2015	2014
Annual Remuneration	780,265.00	93,250.00
Backpay	24,475.00	-
Contribution to SDL	9,199.00	1,077.00
Contribution to UIF	1,785.00	297.00
Contribution to Pension Fund	-	-
Travel Allowance	144,000.00	18,000.00
Total	959,724.00	112,624.00

Remuneration of Acting Chief Financial Officer: Mr G Gwanya		
	2015	2014
Annual Remuneration	-	261,950.00
Acting Allowance	-	346,317.00
Backpay	-	3,566.00
Contribution to SDL	-	7,067.00
Contribution to UIF	-	1,785.00
Pension Fund	-	50,871.00
Travel Allowance	-	132,106.00
Total	-	803,662.00

Remuneration of Director Service Delivery and Public Safety: Mr M.S Malindi		
	2015	2014
Annual Remuneration	-	616,704.00
Backpay	-	3,566.00
Contribution to SDL	-	8,553.00
Contribution to UIF	-	1,636.00
Medical Aid and Pension Fund	-	139,370.00
Leave payout	-	148,910.00
Acting Allowance	-	10,998.00
Travel Allowance	-	95,882.00
Total	-	1,025,619.00

Remuneration of Director Community Services: Mrs Z.E Mofokeng

	2015	2014
Annual Remuneration	591,215.00	596,527.00
Backpay	22,572.00	3,566.00
Contribution to SDL	8,260.00	7,464.00
Contribution to UIF	1,785.00	1,785.00
Medical Aid and Pension Fund	14,692.00	107,465.00
UIF Contributions	1,785.00	1,785.00
Travel Allowance	244,699.00	204,306.00
Total	885,008.00	922,898.00

Remuneration of Director Corporate Services: Mrs N.E Radebe

	2015	2014
Annual Remuneration	756,390.00	721,224.00
Backpay	22,572.00	3,943.00
Contribution to SDL	8,714.00	8,245.00
Contribution to UIF	1,785.00	1,785.00
Cell phone Allowance	15,600.00	16,000.00
Acting Allowance	-	6,515.00
Travel Allowance	96,000.00	96,000.00
Total	901,061.00	853,712.00

Remuneration of Director Technical Services: Mr M Maboya

	2015	2014
Annual Remuneration	-	159,387.00
Car Allowance	-	2,762.00
Performance Bonus	-	595.00
Contribution to UIF, Medical, Pension Fund	-	33,121.00
Other	-	53,129.00
Other	-	56,814.00
Other	-	29,440.00
Total	-	335,248.00

Remuneration of Acting Director Technical Services: Mr A.L Mphuthi

	2015	2014
Annual Remuneration	235,336.00	-
Car Allowance	121,521.00	-
Annual Bonus	19,611.00	-
Contribution to UIF, Medical, Pension Fund	78,642.00	-
Contribution to SDL	8,521.00	-
Backpay	22,572.00	-
Acting Allowance	435,512.00	-
Cell phone Allowance	13,500.00	-
Bargaining Council	318.00	-
Total	953,533.00	-

Remuneration of Acting Director Service Delivery and Public Safety; Mrs M.K.H Tsotetsi

	2015	2014
Annual Remuneration	279,737.00	-
Car Allowance	144,353.00	-
Annual Bonus	23,311.00	-
Contribution to UIF, Medical, Pension Fund	59,914.00	-
Contribution to SDL	8,489.00	-
Backpay	22,572.00	-
Acting Allowance	415,259.00	-
Cell phone Allowance	13,500.00	-
Bargaining Council	318.00	-
Total	967,453.00	-

CHAPTER FIVE



F INANCIAL PERFORMANCE

This chapter presents a summary of the financial performance of the financial year ended 30 June 2015 with particular focus on the following components.

Component A: statement of financial performance

	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	24	61,461,665	48,865,840
Royalty income		779,299	549,867
Rental of facilities and equipment	37	435,122	543,056
Administration and management of fees received		708,183	538,696
Recoveries		635,273	1,070,688
Other income	27	659,751	770,175
Interest received investment	32	19,675,097	13,063,487
Total revenue from exchange transactions		84,354,390	65,401,809
Revenue from non-exchange transactions			
Taxation revenue			
Fines		119,791	73,870
Property rates	23	21,152,561	19,474,278
Transfer revenue			
Governments grants & subsidies	25	102,213,468	96,843,819
Total revenue from non-exchange transactions		123,485,820	116,391,967
Total revenue	22	207,840,210	181,793,776
Expenditure			
Employee related costs	29	(73,311,313)	(77,962,771)
Remuneration of Councillors	30	(4,946,053)	(5,235,182)
Depreciation and Amortisation	34	(134,394,661)	(137,283,347)
Finance costs	35	(12,101,882)	(7,849,642)
Lease rentals on operating lease		(904,322)	(649,532)
Debt impairment	31	(44,882,190)	(37,976,426)
Repairs and maintenance		(32,876,183)	(11,206,908)
Bulk purchases	39	(23,768,637)	(27,714,956)
Transfers and subsidies	38	(3,547,907)	(6,746,501)
General Expenses	28	(30,568,142)	(25,293,339)
Total Expenditure		(361,301,290)	(337,918,604)
Operating deficit		(153,461,080)	(156,124,828)
Fair value adjustments	33	1,401,000	(2,716,861)
Gain on disposal of assets		(9,208)	-
Deficit for the year		1,391,792	(2,716,861)
		(152,069,288)	(158,841,689)

Component B: Spending against capital budget

Project Description	MIG Value	Expenditure
Namahadi: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (4,7km)(Second km) (MIS:174361)	R11 222 160,00	R5 189 766,07
Namahadi : Construction of Water Reticulation with 1714 Erf Connections (MIS:181245)	R25 082 805,00	R23 415 927,69
Qalabotjha: Extension of the Waste Water Treatment Works (MIS: 184943)	R35 843 709,00	R18 056 911,90
Mafahleng/Tweeling:Upgrade of Sports Ground (MIS: 212177)	R2 457 005,00	R721 829,40
Namahadi/Kgatholoha: Upgrading of Sports Ground (MIS: 211474)	R4 307 886,00	R1 176 557,49
Ntswanatsatsi/Cornelia: Upgrade of Sports Ground	R4 624 515,00	-
Qalabotjha/Villiers: Construction of a New 6.5ML Water Reservoir	R11 219 844,00	-
Namahadi/Mamello: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (2km)	R15 000 000,00	-
Namahadi/Zomba: Upgrading of Sports Ground	-	-

Component C: Cash flow Management and Investment

	Notes	2015	2014
Cash flows from operating activities			
Receipts			
Property rates and services charges		21,152,561	21,155,325
Sale of Goods and Services		6,549,242	6,967,995
Grants		90,002,468	104,741,591
Interest Income		19,675,097	12,998,767
Other receipts		14,557,142	3,472,482
		<u>151,936,510</u>	<u>149,336,160</u>
Payments			
Employee costs		(41,626,139)	(44,109,579)
Suppliers		(177,240,726)	(32,366,595)
Finance costs		(10,159,131)	(5,853,682)
Other cash item		<u>105,526,462</u>	<u>(31,159,594)</u>
		(123,499,534)	(113,489,450)
Net cash flows from investing activities	40	28,436,976	35,846,710
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(23,284,331)	(28,007,968)
Purchase of other intangible assets	5	-	(199,210)
Proceeds from sale of financial assets		(14,130)	62,547
Proceeds from sale of other assets		(9,208)	-
Net cash flows from investing activities		(23,307,669)	(28,144,631)
Cash flows from financing activities			
Repayment of other financial liabilities		(507,024)	10,096
Finance lease payments		(2,638,128)	(5,579,207)
Net cash flows from financing activities		(3,145,152)	(5,569,111)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		1,984,155	2,132,968
Cash and cash equivalents at the end of the year	13	<u>64,367</u>	<u>2,699,097</u>
		2,048,522	4,832,065

Component D: Other financial matters

Financial Viability Ratios

1. Debt Coverage Ratio

	2015	2014
Total Revenue (Net of Grants)	105 626 742	84 949 957
Current Portion of Long Term Liabilities	263 581	263 581
Ratio	400.73	322.29

Interpretation

For every R1 in current portion of long term liabilities, there is R400.73 of revenue generated by the municipality.

2. Outstanding Service Debtors to Revenue

	2015	2014
Accounts Receivable Service Debtors	69 028 364	39 585 964
- Trade receivables from exchange transactions	5 073 582	3 659 010
- Consumer debtors	63 954 782	35 926 954
Annual Revenue Actually Received	84 354 390	65 401 809
Ratio	0.23	0.61

Interpretation

In every R1 of revenue generated, the municipality has R0.82 in debtors.

CHAPTER SIX



AUDITOR-GENERAL'S REPORT

Report of the auditor-general to the Free State Legislature and the council on the Mafube Local Municipality

Report on the financial statements

Introduction

- I was engaged to audit the financial statements of the Mafube Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

- The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

- My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Disclaimer of opinion

Property, plant and equipment

- I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment due to lack of an adequate asset management system. I was unable to confirm the assets by alternative means. Consequently, I was unable to determine whether any adjustments to property, plant and equipment stated at R1 044 127 738 (2014: R1 153 361 203) in note 4 to the financial statements were necessary. In addition, the municipality did not review the residual values and useful lives of infrastructure assets at each reporting date in accordance with SA Standards of GRAP, GRAP 17, *Property, plant and equipment* (GRAP 17). The municipality also did not capitalise all items of property, plant and equipment in accordance with GRAP 17 as work in progress was incorrectly recognised. I was not able to determine the correct net carrying amount of infrastructure assets and work in progress as it was impracticable to do so. Additionally, there was a resultant impact on the deficit for the period and on the accumulated surplus.

Payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for trade payables, accrued leave pay, salary control accounts, income received in advance, and advance payables included in payables from exchange transactions due to the unavailability of reconciliations or support for these balances. I was unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any adjustments to these balances stated at R102 307 022 (2014: R62 185 017) included in the amount of R274 867 634 (2014: R181 593 825) as disclosed in note 18 to the financial statements were necessary. In addition, differences were identified between the amounts disclosed in the financial statements and external confirmations as well as differences on debtors with credit balances. Consequently, payables from exchange transactions and expenditure were understated by R31 133 561 (2014: 5 959 048), respectively. There was also a resultant impact on the deficit for the period and the accumulated surplus.

Investment property

6. The municipality did not value investment properties disclosed in note 3 to the financial statements in accordance with SA Standards of GRAP, GRAP 16, *Investment property*. The assumptions used in the investment property register were not accurately applied in the determination of the deemed cost. I was not able to determine the full extent of the misstatement as it was impracticable to do so.

Consumer receivables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for consumer debtors due to several unexplained differences or supporting documents that could not be provided. Support could also not be provided for the calculation of the provision for impairment of debtors. I was unable to confirm consumer debtors by alternative means. Consequently, I was unable to determine whether any adjustments to consumer debtors stated at R63 954 782 (2014: R35 926 954) in note 11 to the financial statements were necessary.

Receivables from non-exchange transactions

8. The municipality did not calculate the debt impairment for receivables from non-exchange transactions in terms of SA Standards of GRAP, GRAP 104 *Financial instruments*. The municipality did not take the payment history of debtors into account. I was unable to determine the full extent of the misstatement as it was impracticable to do so. There was also a resultant impact on the deficit for the period and the accumulated surplus. In addition, sufficient appropriate audit evidence could not be obtained for the process followed for the calculation of debt impairment for the prior year. Consequently, I was unable to determine whether any further adjustments to the provision for debt impairment stated at R19 172 701 (2014: R15 091 223) in note 10 to the financial statements were necessary.

Property rates

9. I was unable to obtain sufficient appropriate audit evidence for property rates due to differences between the chargeable rates per the valuation roll, the accounting records and the financial statements that could not be supported. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments to property rates stated at R21 152 561 (2014: R19 474 278) in note 23 to the financial statements were necessary.

Unauthorised expenditure

10. The municipality did not include particulars of all unauthorised expenditure and did not adhere to the disclosure requirements in note 47 to the financial statements as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in excess of the approved budget which was not disclosed as unauthorised expenditure, with the result that unauthorised expenditure was understated by R81 078 668 (2014: R120 573 266).

Irregular expenditure

11. The municipality did not include particulars of all the irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality made payments in contravention of the Supply chain management regulations which were not included in irregular expenditure, with the result that irregular expenditure was understated by R16 715 209 (2014: R13 260 890). I was not able to determine the full extent of the misstatement as it was impracticable to do so. In addition, during 2012-13 irregular expenditure was written off without proper investigations having been performed. This resulted in a further understatement of the closing balance of irregular expenditure by R71 142 949 (2014: R71 142 949).

Commitments

12. I was unable to obtain sufficient appropriate audit evidence for capital commitments due to an inadequate contract management system and incomplete contract register. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments to commitments stated at R40 113 980 (2014: R58 207 711) as disclosed in note 41 to the financial statements were necessary

Fruitless and wasteful expenditure

13. The municipality did not include particulars of all the fruitless and wasteful expenditure incurred in note 48 to the financial statements, as required by section 125(2)(d)(i) of the MFMA. I was not able to determine the full extent of the misstatement as it was impracticable to do so. In addition, fruitless and wasteful expenditure was written-off during 2012-13 without proper investigations having been performed. This resulted in an understatement of the closing balance of fruitless and wasteful expenditure by R17 727 744 (2014: R17 727 744).

Comparison of budget and actual amounts

14. The municipality did not disclose the final approved adjustment budget figures in the financial statements in accordance with SA Standards of GRAP, GRAP 24, *Presentation of budget information in financial statements* (GRAP 24). I identified various material differences between the disclosed budgeted amounts and the final adjustment budget, resulting in the figures disclosed in the statement of comparison of budget and actual amounts being materially misstated.

Public-private partnership

15. The municipality did not disclose information regarding the public private partnership between the municipality and the electricity service provider as required by International Financial Reporting Interpretations Committee (IFRIC) 12, *Service concession arrangements*.

Prior period errors

16. The municipality did not disclose the reclassification of comparative figures and prior period errors as required by SA Standards of GRAP, GRAP 1, *Presentation of financial statements* and GRAP 3, *Accounting policies, changes in accounting estimates and errors*. Details of all the corresponding figures that were reclassified or restated since the prior year were not disclosed under prior period errors in note 44 to the financial statements.

Financial instruments

17. The amount disclosed as financial instruments in note 21 to the financial statements does not include payables from exchange transactions of R274 867 634. The prior year balance is stated as R156 923 846, while in note 18 payables from exchange transactions is stated as R181 593 825. Payables from exchange transactions are therefore understated by R274 867 634 (2014: R24 669 979) in note 21 to the financial statements.

Aggregation of immaterial uncorrected misstatements

18. The financial statements were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following items included in the statement of financial position and the statement of financial performance:
 - Service charges and consumer receivables from exchange transactions in respect of sale of water reflected as R31 294 060 and R25 524 392, respectively, was overstated by R6 385 796.
 - Revenue from service charges and expenditure related to transfers and subsidies reflected as R61 461 665 (2014: R48 865 840) and R3 547 907 (2014: R6 746 501), respectively, was overstated by R3 547 907 (2014: R6 746 501).
 - VAT payable and consumer receivables from exchange transactions reflected as R9 317 657 (2014: R13 388 504) and R63 954 782 (2014: R35 926 954), respectively, was understated by R4 910 203 (2014: R4 204 476).
 - Net cash flows from operating activities reflected as R28 436 976 was understated by R4 788 975.

- Material losses was not disclosed in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA.
19. In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm the following items by alternative means:
- Receivables from non-exchange transactions of R9 545 775 as included in the disclosed balance of R25 382 329 (2014:R18 786 910) as disclosed in note 10.
 - VAT payable of R8 601 998 as included in the disclosed balance of R9 317 657 (2014: R13 388 504) as disclosed in note 19.
 - Pension fund and medical aid deductions of R9 068 231 as included in the disclosed balance of R19 222 043 (2014: R10 453 233) as disclosed in note 50.

Going concern

20. The municipality did not disclose the going concern risk as required by GRAP 1, Presentation of financial statements in the notes to the financial statements. A number of indicators exist that indicates that the municipality is experiencing financial difficulty. These include a high level of impairment of its consumer debtors, current liabilities that exceed current assets by R218 865 471 and the deficit amounting to R152 069 288 as disclosed in the financial statements. The potential negative effect of this tendency on the cash flows of the municipality and the inability to settle accounts payable within an acceptable period also indicates uncertainty. The municipality did not disclose any details of the uncertainty in the financial statements.

Disclaimer of opinion

21. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

22. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material impairments

23. As disclosed in notes 10 and 11 to the financial statements, a provision for impairment of consumer debtors and receivables from non-exchange transactions amounting to R211 717 607 (2014: R167 653 049) were made as a result of irrecoverable debtors.

Additional matter

24. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

25. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Report on other legal and regulatory requirements

26. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

27. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected key performance areas (KPAs) presented in the annual performance report of the municipality for the year ended 30 June 2015:

- KPA 4: Basic service delivery on pages xx to xx
- KPA 6: Planning, service delivery and infrastructure development on pages xx to xx

28. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

29. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned key performance areas. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

30. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

31. The material findings in respect of the selected key performance areas are as follows:

KPA 4: Basic service delivery

Usefulness of reported performance information

32. The FMPPI requires the following:

- Performance targets should be specific in clearly identifying the nature and required level of performance. In total, 70% of the targets were not specific.
- Performance targets should be measurable. I could not measure the required performance for 70% of the targets.

This was because management did not adhere to the requirements of the FMPPI and a lack of proper systems, processes and technical indicator descriptions.

Reliability of reported performance information

33. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

KPA 6: Planning, service delivery and infrastructure development

Usefulness of reported performance information

34. The FMPPI requires the following:

- Performance targets should be specific in clearly identifying the nature and required level of performance. In total, 83% of the targets were not specific.
- Performance targets should be measurable. I could not measure the required performance for 83% of the targets.

This was because management did not adhere to the requirements of the FMPPI and a lack of proper systems, processes and technical indicator descriptions

Reliability of reported performance information

35. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the fact that the auditee's records did not permit the application of alternative audit procedures.

Additional matter

36. I draw attention to the following matter:

Achievement of planned targets

Refer to the annual performance report on pages x to x and x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected key performance areas reported in paragraphs 31 to 34 of this report.

Compliance with legislation

37. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other

related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements

38. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, with the result that the financial statements received a disclaimer of audit opinion.

Audit committee

39. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by *Municipal planning and performance management regulation 14(4)(a)(iii)*.

Human resource management

40. The competencies of the senior managers were not assessed in a timely manner in order to identify and address gaps in competency levels as required by *Municipal regulations on minimum competency levels 13*.
41. The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor measure and evaluate performance of staff in contravention of section 67(d) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Expenditure management

42. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
43. Reasonable steps were not taken to prevent unauthorised, irregular or fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
44. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors as required by section 65(2)(b) of the MFMA.

Revenue management

45. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2)(e) of the MFMA.
46. An effective system of internal control for revenue and debtors was not in place, as required by section 64(2)(f) of the MFMA.

Consequence management

47. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.

Procurement and contract management

48. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of below R200 000 were procured by means of obtaining the required price quotations, as required by SCM regulation 17(a) and (c).
49. Quotations were accepted from prospective providers who were not registered on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b).
50. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids, as required by SCM regulation 19(a).
51. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM regulation 28(1)(a).
52. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
53. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

Conditional grants

54. The Municipal Infrastructure Grant allocation was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of the DoRA.
55. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant and Municipal Systems Improvement Grant allocations, as required by section 12(5) of the DoRA.
56. Municipal Infrastructure Grant funds were retained or rolled over to the next financial year without seeking the approval of the National Treasury, as required by sections 22(1) of the DoRA.

Asset management

57. An adequate management, accounting and information system which accounted for assets was not in place, as required by section 63(2)(a) of the MFMA.
58. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Strategic and annual planning process

59. The local community was not afforded the opportunity to comment on the final draft of the integrated development plan (IDP) before adoption, as required by section 42 of the MSA and Municipal planning and performance management regulations 9, 13(1), 13(4)(c) and 15(3).
60. The municipality did not give effect to its integrated development plan and conduct its affairs in a manner which was consistent with its integrated development plan, as required by section 36 of the MSA, section 21(2)(a) of the MFMA and Municipal planning and performance management regulation 6.

61. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.
62. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
63. The performance of the municipality was not assessed during the first half of the financial year, as required by section 72(1)(a)(ii) of the MFMA.
64. Measurable performance targets for the financial year were not set in the IDP, for each of the key performance indicators and with regard to each of the development priorities or objectives, as required by section 41(1)(b) of the MSA and the Municipal planning and performance management regulations 12(1) and 12(2)(e).
65. The annual performance report for the year under review did not include a comparison with the previous financial year as required by section 46 (1)(b) of the MSA.
66. The performance management system and related controls were inadequate as they did not describe and represent the processes of performance monitoring, measurement, review and reporting and how they were conducted, organised and managed, as required by sections 38 of the MSA and regulation 7 of the Municipal planning and performance management regulations.
67. The annual performance agreements for the municipal manager and all senior managers were not linked to the measurable performance objectives approved with the budget and to the service delivery budget implementation plan as required in terms of section 53(1)(c)(iii) of the MFMA and section 57(1)(b) of the MSA.

Internal control

68. I considered internal control relevant to my audit of the financial statements, the performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion and the findings on the performance report and compliance with laws and regulations included in this report.

Leadership

69. Management did not adequately respond to the AGSA's message as they did not effectively discharge their oversight responsibilities to ensure an improvement in the audit outcome.
70. The leadership did not always take timely and adequate action to address weaknesses in the finance and supply chain management directorate due to lack of monitoring and supervision, which resulted in non-compliance with applicable legislation and gave rise to irregular expenditure. The lack of timely action from leadership in instances relating to the discharging of untreated effluent to the oxidation ponds of the water treatment plant could expose the general public to environmental and health issues and may lead to claims against the municipality.
71. Leadership did not continually implement preventive measures to address weaknesses in the control environment to promote ethical values and good governance that protected and enhanced the interests of the municipality. This was identified since there were no processes in place to enable effectiveness of internal controls that ensured reliability and validity of financial information. Poor performance or deviations from the expected standards of conduct were not followed up to ensure that remedial or

disciplinary action was taken in a timely and consistent manner. Overriding of internal controls resulted in a high number of instances of irregular and fruitless and wasteful expenditure where value for money was not always obtained, which resulted in potential cases of fraud that need to be investigated by management. Although this matter was raised in the prior year as well, these matters have still not been investigated.

72. Consequence management was not effective as the council did not investigate instances of unauthorised, irregular and fruitless and wasteful expenditure to determine whether any person was liable for the expenditure as the council neglected to appoint a committee to investigate the expenditure.

Financial and performance management

73. Proper record keeping, during the current and previous year's audits, was not implemented in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting, as management did not monitor to determine whether the controls were implemented effectively. As a result, significant difficulties were experienced in respect of the availability of information.
74. Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented due to a lack of capacity.
75. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing due to a lack of skilled staff.
76. Ongoing monitoring and supervision were not undertaken to enable an assessment of the effectiveness of internal control over financial and performance reporting due to the fact that the accounting officer and chief financial officer positions were filled in an acting capacity for most of the financial year. Internal control deficiencies were therefore not identified, communicated and corrected in a timely manner.
77. Management also did not establish effective monitoring and evaluation components or processes within its finance and strategic planning directorates to regularly review and monitor management's compliance with laws and regulations and internally designed policies and procedures due to capacity problems. As a result, significant non-compliance issues were noted that could have been prevented.

Governance

78. The implementation of external audit recommendations was not prioritised and also not monitored, with the result that in the prior year audit findings were not addressed.
79. As a result of inadequate support by management to the functioning of the internal audit unit, the audit committee could not adequately promote accountability and service delivery by evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

Bloemfontein

30 November 2015



Auditing to build public confidence

ACTION PLAN TO ADDRESS ISSUES RAISED BY THE AUDITOR GENERAL

Page no.	FINDING	COMMUNICATION NO	RESPONSIBLE DEPARTMENT	RESPONSIBLE PERSON	DUE DATE	STATUS	COMMIT/EVIDENCE	
1	Budget - Non compliance	C9	Management does ensure that the monthly budget statements are submitted timely and that relevant budget and reporting regulations are followed. The municipality will also ensure that the approved budget is made public within 10 days as prescribed. However, management will work on the evidence that all was done within the legislated time frames.	Budget	CFO	31 March 2016	Not resolved	
2	Prior year follow up - Unspent conditional grant - amount repaid	C9	The matter will be investigated and addressed for the financial year 2015/16	Budget	CFO	31 March 2016	Not resolved	
3	Expenditure: Expense could not be traced to the general ledger	C17	Financial Accounting Section will be appropriately staffed so that the Daily and monthly reconciliations are performed.	Expenditure	CFO	31 March 2016	Not resolved	
4	Expenditure: Limitation of scope for purchase returns.	C14	This is systematic issue, resulting from the municipality's inability to pay orders wholly and forced to reverse a portion of that order and process it as and when it is paid. Management will research new ways to ensure that the supporting documentation is submitted for audit purposes.	Expenditure	CFO	31 March 2016	Not resolved	

Action based on Misstatements affecting the Auditor's Report

5	Expenditure: Shortcomings identified	C19	This is systematic issue, resulting from the municipality's inability to pay orders wholly and forced to reverse a portion of that order and process it as and when it is paid. Management will reaearch new ways to ensure that the supporting documentation is submitted for audit purposes.	Expenditure	CFO	31 March 2016	Not resolved
6	Fruitless and wasteful expenditure: Misstatements noted	C19	Financial Accounting Section will be appropriately staffed so that the Daily and monthly reconciliations are performed.	Expenditure	CFO	31 March 2016	Not resolved
7	Payables: Shortcomings identified on accrual and trade payables	C16	Financial Accounting Section will be appropriately staffed so that the Daily and monthly reconciliations are performed.	Expenditure	CFO	31 March 2016	Not resolved
8	Prior year follow up - Fruitless and wasteful expenditure: Unexplained difference	C8	For the current financial year, the MPAC will be sitting for the UIFW and registers will be reviewed before submission to Financial Accounting Unit.	Expenditure	CFO	31 March 2016	Not resolved
11	Cashflow Statement	C17	The Financial Accounting Section will be resourced with appropriate personnel to assist in easing the work load and improving quality.	Fin Acc	CFO	31 March 2016	Not resolved
14	Depreciation charges: Accuracy and completeness of the depreciation charge expensed	C19	The Audit Action Plan will become the Management Meeting standing item, as it is the Audit Committee standing item.	Fin Acc	CFO	31 March 2016	Not resolved
18	Employee cost: Difference between the GL and Payroll(VIP system)	C21	The Financial Accounting Section will be resourced with appropriate personnel to assist in easing the work load and improving quality.	Fin Acc	CFO	31 March 2016	Not resolved

Action based on Misstatements affecting the Auditor's Report

19	Financial Statements supporting documentation	C6	The Financial Accounting Section will be allocated with appropriate personnel to assist in evenly distribution of the work load and timely submission of the AFS for the Internal Audit Review.	Fin Acc	CFO	30 June 2016
22	Fixed Assets: Valuation of Assets descrepancies identified	C22	Management will establish and implement controls to ensure that there is a proper system of record keeping and that supporting documentation is maintained and submitted for audit purposes.	Fin Acc	CFO	31 March 2016
23	Intangible Assets Unverifiable SCM database Software, Website and internet Licence	C19	Management will investigate the matter further and ensure that the matter is addressed and dealt with adequately.	Expenditure	CFO	31 March 2016
24	Intangible Assets:Deficiencies identified	C15	The Financial Accounting Section will be well resourced to ensure that all asset purchased are promptly recorded on to the asset register. Monthly reconciliations between the asset register and the general ledger are performed and reviewed with differences followed up to ensure the correctness of the valuation of movable assets presented in the financial statements.	Fin Acc	CFO	31 March 2016
25	Investment Property: Valuation of assets descrepancies	C22	Management will establish and implement controls to ensure that there is a proper system of record keeping and that supporting documentation is maintained and submitted for audit purposes.	Fin Acc	CFO	31 March 2016

Action based on Misstatements affecting the Auditor's Report

28	Limitation of Scope: Non submission of journal voucher	C19	Management will establish and implement controls to ensure that there is a proper system of record keeping and that supporting documentation is maintained and submitted for audit purposes.	Fin Acc	CFO	31 March 2016 Not resolved
32	PPE visiting of projects	C22	Management will implement controls to ensure fund is being utilised for the intended purpose and that there is sufficient staff to manage projects and to file and retain documents for audit and review purposes.	Fin Acc	CFO	31 March 2016 Not resolved

Action based on Misstatements affecting the Auditor's Report

33	For each PPP agreement that the entity has entered into, the following will be disclosed in a note to the annual financial statements:			
	(a) a description of the agreement; (b) significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows; (c) the nature and extent of: — rights to use specified assets; — obligations to provide or rights to expect provision of services; — obligations to acquire or build assets; — obligations to deliver or rights to receive specified assets at the end of the PPP agreement; — renewal and termination options; and — other rights and obligations (e.g. major overhauls); (d) changes in the agreement occurring during the period.	CFO	31 March 2016	Not resolved

Action based on Mistakes affecting the Auditor's Report

36	<p>Prior year follow up - Fixed Assets: Capital expenditure treatment, misclassification concerns and incomplete asset register (Ex. 168)</p>	<p>Effective asset and journal processing controls will be established to ensure the following</p> <p>(a) The asset register to be promptly updated to cater for disposals and acquisitions as they occur. Such asset acquisitions are to be properly classified under a class denoting the intended use of such assets</p> <p>(b) Capital expenditure is appropriately recorded and capitalized against assets</p>	CFO	Fin Acc	31 March 2016	Not resolved
34	<p>Prior year follow up - Fixed Assets: Inadequate journal support for work in progress</p>	<p>Management will establish and implement controls to ensure proper record keeping and management of projects in progress. As a precondition for authorization and processing, journal vouchers will carry verifiable supporting documentation motivating the classification, accuracy and occurrence of the proposed entry.</p>	C18	Fin Acc	31 March 2016	Not resolved

Action Based on Misstatements affecting the Auditor's Report

Action based on Mistakes affecting the Auditor's Report

35	Prior year follow up - Unauthorised expenditure not properly disclosed	C8	Management will investigate the matter, make the necessary adjustments and implement controls in order to detect unauthorised expenditure in a timely manner. Management will also ensure that budget amounts are realistically set to avoid such excessive unauthorised expenditure.	Fin Acc	CFO	31 March 2016 Not resolved
36	Prior year follow up - VAT: Difference between general ledger and VAT returns	C12	Management will ensure that reconciliations are performed between the VAT 201 returns and the VAT as per the general ledger on a monthly basis.	Fin Acc	CFO	31 March 2016 Not resolved
37	Property,Plant and Equipment:Depreciation Differences between Assets Register and the AFS	C17	<p>(a) Controls will be established by management to ensure that all assets together with their respective movements during the year are promptly recorded on to the asset register.</p> <p>(b) Monthly reconciliations between the asset register and the general ledger will be performed and reviewed with differences followed up to ensure the correctness of the valuation of movable assets presented in the financial statements. Differences in the assets registers and the amounts as per the financial statements, will be investigated and correctional entries passed to ensure that the two agrees.</p>	Fin Acc	CFO	31 March 2016 Not resolved
39	Property,Plant and Equipment:Electricity Infrastructure Assets	C17	Rural Free State to provide relevant information for audit purposes	Fin Acc	CFO	31 March 2016 Not resolved

Action based on Misstatements affecting the Auditor's Report

40	Property,Plant and Equipment;Estimaed Useful Lives	C17	Management will investigate the matter and implement controls to ensure that the municipality complies with the relevant accounting standards. The useful lives of each asset will be evaluated regularly and the process documented properly to ensure that the financial statements agree with the assets register and all other support documentation.	Fin Acc	CFO	31 March 2016	Not resolved
38	Property,Plant and Equipment-Movable Assets additions and depreciation disclosed deficiencies identified	C15	Controls will be established by management to ensure that all asset purchased are promptly recorded on to the asset register. Monthly reconciliations between the asset register and the general ledger will be performed and reviewed with differences followed up to ensure the correctness of the valuation of movable assets presented in the financial statements.	Fin Acc	CFO	31 March 2016	Not resolved
39	Property,Plant and Equipment Difference between Assets Register and AFS	C15	Controls will be established by management to ensure that all asset together with their respective movements during the year are promptly recorded on to the asset register. Monthly reconciliations between the asset register and the general ledger will be performed and reviewed with differences followed up to ensure the correctness of the valuation of movable assets presented in the financial statements.	Fin Acc	CFO	31 March 2016	Not resolved

Action based on Misstatements affecting the Auditor's Report

39	Receivables - Debtors with credit balances	C14	Management will investigate the matter, and make necessary amendments (i.e. separately disclose receivables from amounts payable), as required by GRAP 1(39-43).	Fin Acc	CFO	31 March 2016	Not resolved
41	Receivables: Impairment of councilors' overpayment receivable	C6	Management has taken and will continue to take reasonable steps to recover the overpayment of councilors.	Fin Acc	CFO	31 March 2016	Not resolved
42	Receivables: Non paying debtors for the past three years	C19	Management will ensure that their revenue collection system is consistent with the Municipality System Act and that the credit control and debt collection policy is enforced and complied to by the municipality debtors.	Fin Acc	CFO	31 March 2016	Not resolved
46	HR Compliance: Disciripnics identified with regard to acting positions	C8	Management will ensure adherence to applicable laws and regulations (i.e. MSA section 54A(2A) and 56(1)(c)).	HR	Dir - Corp	31 March 2016	Not resolved
47	HR Compliance: Minimum Competencies	C8	Management will ensure that the municipality complies with the Municipal Regulations on minimum competency levels and that the required reporting in this regard is done.	HR	Dir - Corp	31 March 2016	Not resolved
50	AOPo: Budget process including service delivery and budget implementation	C20	Management will for the coming budget term work on a fully flushed budget that talks to the service delivery, ensure that the budget process are in accordance with the relevant laws and regulations.	IDP	MM	31 March 2016	Not resolved
52	Prior year follow up - Contingent Liabilities - Contingent liabilities is undersated	C9	The matter will be investigated and the financial statements adjusted to disclose the contingent liability as required by GRAP 19 for the financial year 2015/16.	Legal	Dir - Corp	31 March 2016	Not resolved

Action Items based on Mistakes affecting the Auditor's Report

53	Employee cost: Descripencies identified on allowances paid.	C16	Management will ensure that all allowances paid are correctly calculated as per policy or SALGA regulation and reviewed as a monitoring control.	Payroll	CFO	31 March 2016	Not resolved
54	Employee cost: Non payment levies Third parties (SARS)	C12	Management will ensure that third parties payments are paid within seven days of the end of the month for which employee deductions was withheld in order to avoid non-compliance of the applicable legislation as a result of late payment.	Payroll	CFO	31 March 2016	Not resolved
57	AOPQ: Inconsistencies of objectives and targets identified	C20	Management will ensure that the planned objectives, indicators and targets are reported in the Annual Performance Report (APR).	PMS	MM	31 March 2016	Not resolved
59	Predetermined Objectives: Performance management framework not sufficiently implemented	C15	Management will implement effective mechanisms, systems and processes to monitor, measure and review performance indicators and targets.	PMS	MM	31 March 2016	Not resolved
62	Consumer Deposits: Deposit Register amount differs with the AFS amount	C15	Financial Accounting Section will be appropriately staffed so that the Daily and monthly reconciliations are performed.	Revenue	CFO	31 March 2016	Not resolved
64	Receivables: Large and Unusual Debtors	C18	The matters will be investigated and followed up that outstanding debt at year-end is valid outstanding debt.	Revenue	CFO	31 March 2016	Not resolved
65	Revenue - Traffic fine calculation not provided	C10	Management will ensure that the matter is investigated and the Traffic Fine Register is developed and maintained.	Revenue	CFO	31 March 2016	Not resolved
67	Revenue: Distribution loss not calculated and disclosed.	C8	Management will monitor distribution losses on a monthly basis and disclose appropriately.	Revenue	CFO	31 March 2016	Not resolved

Action based on Mistakes affecting the Auditor's Report

68	Revenue: Unused receipt books	C19	Management will ensure that the unused receipt books are not in the possession of cashiers but rather in the possession of a senior official and kept in a locked safe.	Revenue	CFO	31 March 2016 Not resolved
72	Revenue: Unmetered Consumption not disclosed in the financial statement	C22	Management will ensure that amounts on the financial statements reconcile to the amount as per billing report in respect of unmetered consumption and are disclosed appropriately.	Revenue	CFO	31 March 2016 Not resolved
88	Procurement and contract management: Awards to suppliers in which employees that are in service of state have an interest	C13	The matter will be investigated by management.	SCM	CFO	31 March 2016 Not resolved
89	Procurement and contract management: Deviation from compliance	C17	Management will implement the necessary controls to identify and prevent irregular expenditure and non-compliance to laws and regulations.	SCM	CFO	31 March 2016 Not resolved
96	Vehicles leased and purchased	C13	The matter needs to be investigated and reported back.	SCM	CFO	31 March 2016 Not resolved
97	AOPo: No approved Water Services Development Plan in place (Ex-175)	C18	(a) Management will ensure that a water infrastructure policy is approved and implemented. (b) Management will set develop a plan which specify timeframes and targets that relate to the maintenance of water infrastructure.	Technical	Dir - Tech	31 March 2016 Not resolved

Action based on Mistakes affecting the Auditor's Report

99	Environmental impact of abattoir waste in oxidation pond	C17	Technical Dir - Tech 31 March 2016 Not resolved	<ul style="list-style-type: none"> • "It is recommended that better inspection of the abattoir and strict enforcement of law be made by Mafube Local Municipality to be able to reduce environmental contamination and related diseases especially zoonotic diseases. • A water user licence will be put in place and strict monitoring is implemented to ensure that compliance is maintained at all times. • A review of the treatment process by the abattoir is necessary together with the subsequent process designs to prove that the method used will be adequate. • Rehabilitation of the ponds is necessary to clear them of the sludge trash currently clogging them • Continuous monitoring and daily site analysis of waste water needs to be implemented. • Disinfection of the effluent is also necessary to minimise the microbial risk to downstream and aquatic organisms. • Mafube municipality will implement an impact study on the receiving water body considering the organic discharge from the abattoir and upstream WWTW."
100	Assessment Rates Reconciliation	C17		Management will implement sufficient control measures and mechanisms to ensure that assessment rates are reconciled and maximised so that electronic and manual valuation rolls are timely updated and reconciled. 31 March 2016 Not resolved

APPENDICES

Appendix A: Councillors: Committee Allocation and Council Attendance

A1 List of Councillors

Initials and Surname	Ward Responsible for
ANC Councillors	
J.E Sigasa (Mayor)	1
T.M Moloi (Speaker)	N/A
M Mosia (Chief Whip)	3
J.J Hlongwane	2
F.P Motloung	4
M. Mofokeng	6
U.C Jafta	7
W.C Motloung	8
L.S Kubeka	9
M. Sekhoto	N/A
N. Rakoloti	N/A
P. Monaune	N/A
DA Councillors	
H. Pretorius	5
M. C Duplessis	N/A
A.S Mosia	N/A
COPE Councillors	
F. Motloung	N/A
M. Hadebe	

A: 2 Number of Council Meetings Attended by Councillors

Number of meetings held for the period 1 July 2014 - 30 June 2015	Nature of the Meeting			Apologies
	Ordinary	Special	Total	
Meetings Attended				
J.E Sigasa (Mayor)	6	6	12	0
M.T Moloi (Speaker)	5	5	10	2
M.A Mosia (Chief Whip)	6	4	10	2
J.J Hlongwane	6	5	11	1
F.P Motloung	5	5	10	2
M. M Mofokeng	5	6	11	1
U.C Jafta	6	5	11	1
W.C Motloung	6	5	11	1
L.S Kubeka	5	3	8	4
M. M Sekhoto	5	4	9	3
N. Rakoloti	6	6	12	0
P. Monaune	6	5	11	1
J.J Pretorius	4	4	8	4
M. C Duplessis	5	5	10	2
S.A Mosia	5	5	10	2
P. Motloung	5	3	8	4
M. Hadebe	5	5	10	2

APPENDIX B: Committee and Committee Purpose

A.1

The following table provides an overview of the Council Committees and the purpose of each committee

Name of Committee	Purpose of Committee
Service Delivery and Public Safety	Responsible for oversight over Public Safety of the municipality
Community Services and LED	Responsible for oversight over Community Services and LED matters
Infrastructure Services	Responsible for oversight over Infrastructure Services
Corporate Services	Responsible for oversight over Human Resources and Administration Matters
Financial Services	Responsible for oversight over Finance matters
Audit Committee	Responsible for Oversight over the work of the internal audit and performance management unit of the municipality
Municipal Public Accounts Committee	Responsible for overall oversight over the annual report and other assigned functions of the municipality

A2 Committee Allocation

The committee had 4 meetings in the financial year.

CORPORATE SERVICES PORTFOLIO COMMITTEE			
Initials and Surname	Political Party	No. of meetings attended by the councillors	Apologies
Cllr. W.C Motloung (chairperson)	ANC	4	0
Cllr N. Rakoloti	ANC	2	2
Cllr. JJ Pretorius	DA	1	3

The committee had 6 meetings in the financial year.

FINANCE PORTFOLIO COMMITTEE			
Initials and Surname	Political Party	No. of meetings attended by the councillors	Apologies
Cllr. F.P Motloung (chairperson)	ANC	6	0
Cllr. P Monaune	ANC	5	1
Cllr. M.C Du Plessis	DA	The Councillor did not serve in the committee for long, he was moved to being an Exco member	

The committee had 3 meetings in the financial year.

COMMUNITY SERVICES AND LED PORTFOLIO COMMITTEE			
Initials and Surname	Political Party	No. of meetings attended by the councillors	Apologies
Cllr. JJ Hlongwane (chairperson)	ANC	3	0
Cllr. P Monaune	ANC	3	0
Cllr. M Mofokeng	ANC	3	0

APPENDIX C: Third Tier Administrative Structure



APPENDIX D: Functions of Municipality/Entity

Mafube Local Municipality performs the following functions in terms of the Constitution

Category B Functions	Category C Functions	Provincial and National
Local Municipality	District Municipality	Provincial Government
Air pollution Building regulations Bill boards and display of advertisements Storm water Trading regulations Cleansing Facilities, accommodation and burial of animals Fencing and fences Local sport facilities Municipal parks and recreation Municipal planning Municipal public transport Municipal Licensing of dogs	Refuse removal and solid waste Municipal roads Municipal airports Fire fighting Markets Cemeteries Municipal public works Electricity regulation Municipal health Storm water Potable water Sanitation	Libraries Housing

APPENDIX E: Ward Reporting

Ward Committees have been established and were inducted by the District and CoGTA on roles and responsibilities and ward meetings are held.

Ward Committee Meetings

Ward Committee Reports submitted to the Office of the Speaker	
Ward	Number of reports submitted to the Office of the Speaker
Ward 1	11
Ward 2	3
Ward 3	2
Ward 4	0
Ward 5	2
Ward 6	5
Ward 7	6
Ward 8	7
Ward 9	2

Public Meetings

Public Meetings Reports submitted to the Office of the Speaker	
Ward	Number of reports submitted to the Office of the Speaker
Ward 1	11
Ward 2	8
Ward 3	7
Ward 4	6
Ward 5	6
Ward 6	7
Ward 7	9
Ward 8	8
Ward 9	9

APPENDIX F: Ward Information

Initials and Surname	Ward	Party
J.E Sigasa (Mayor)	1	ANC
J.J Hlongwane	2	ANC
M Mosia (Chief Whip)	3	ANC
F.P Motloung	4	ANC
J.J Pretorius	5	DA
M. Mofokeng	6	ANC
U.C Jafta	7	ANC
W.C Motloung	8	ANC
L.S Kubeka	9	ANC

APPENDIX G: Recommendations of the Municipal Audit Committee

Performance and Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

1. Audit committee mandate and terms of reference

The Mafube Local Municipality (Performance) Audit Committee (the committee) has adopted a formal mandate and terms of reference that has been approved by Council in the year under review. The committee has conducted its affairs in compliance with this mandate and terms of reference and has discharged its responsibilities contained therein.

The mandate and terms of reference are available on request.

2. (Performance) Audit Committee members and meeting attendance

The committee consists of three (3) independent, non-executive members and meets at least four times per annum as per the committee mandate and terms of reference.

Municipal Manager, Chief Finance Officer, Chief Audit Executive, external auditor(s) and other assurance providers attend meetings by invitation.

During the year under review 7 meetings were held.

Name of Attendees	26 th Aug 2014	09 th Dec 2014	13 th Jan 2015	28 th Jan 2015	11 th March 2015	12 th May 2015	17 th June 2015
Mr. Mahlangu W.K Post Graduate Diploma: Advance Management	Present	Present	Present	Present	Present	Present	Present
Mr. Mgaga W. B.Com (Unisa) Taxation Certificate (U.J) Project Management (Rosebank College) LLB Degree (Unisa)	Present	Present	Present	Present	Present	Present	Present

Name of Attendees	26 th Aug 2014	09 th Dec 2014	13 th Jan 2015	28 th Jan 2015	11 th March 2015	12 th May 2015	17 th June 2015
Ms. Skaundi V. B.Com (Accounting) E&Y Completed Articles	Present	Present	Present	Present	Present	Present	Present

3. Roles & Responsibilities

The committee's roles and responsibilities include its statutory duties as per the **Municipal Finance Management Act No. 56 of 2003, MFMA Circular 65**, and the responsibilities assigned to it by the Council.

a) Statutory duties

In the conduct of its duties, the committee has recommended the following in accordance with their statutory duties (extract):

- i. **Financial Disclosure.** The audit committee reviewed the financial statements before they are publicly disclosed. With respect to other public disclosures of information that is extracted or derived from the financial statements, the audit committee has recommended that management should put appropriate procedures into place for adequate reviews of information;
- ii. The establishment of an information technology, risk, budget committee and the fraud prevention, business continuity and disaster recovery plan;
- 1 iii. A policy should be developed to address matters relating to processes and procedures to address planning, implementation, monitoring and reporting processes and events pertaining to performance management and reporting as well as related party transactions;
- iv. A policy relating to suspense accounts should be developed in order to prevent uncleared suspense accounts at year end and possible fraudulent activities;
- v. Audit Committee advised the Municipality that they should have a determined staff for collections.

External auditor

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 30 June 2015.

Financial Statements

The committee has reviewed the financial statements of Mafube Local Municipality and expressed its dissatisfaction with the timing of the Annual Financial Statements for the review

by both the Internal audit Function and the Audit Committee. Compliance with the Generally Recognized Accounting Principles is not achieved.

Overall Duties of the Audit Committee

The Audit Committee is responsible for ensuring that the Municipality's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to effectively discharge its duties. Furthermore, the committee oversees co-operation between the internal and external auditors, and serves as a link between the Council and these functions.

Risk Management Activities

The Accounting Officer is responsible for the establishment of effective risk management within Mafube Local Municipality

Risk Management is still at an infant stage, and requires more attention and prioritization to better equip management with enabling information regarding challenges emerging challenges and their potential impact on the pre-determined targets. There is a Risk Management Committee established, however, more work is yet to be witnessed from the Committee to be effective in dealing with consternations pertaining to the achievement of target as set on the (Integrated Development Plan (IDP), Service Delivery Budget Implementation Plan (SDBIP) and Performance Agreements (PA) of the Mafube Local Municipality.

The (Performance) Audit Committee has an oversight role in ensuring that the Municipal Council is timely served with enabling, judicious and impartial information regarding the state of risks within Mafube Local Municipality.

Control Environment

The International Standards for the Professional Practice of Internal Auditing (Standards) Glossary defines the control environment as:

The attitude and actions of the council and management regarding the significance of controls within the organization. The control environment provides discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the below-listed elements:

- a) Integrity and ethical values:
 - A sound integrity and ethical values (Code of Conduct), has not been developed.
- b) Management philosophy and operating style:
 - A level of voluntary adherence to the Code of Conduct substantiates the measure of cohesion and professionalism within the Municipality.
- c) Financial Reporting Competencies:
- d) Mafube Local Municipality has for the past two (2) financial years, been compiling the Annual Financial Statements in-house, therefore, there is an improvement in this area, though there is still more to be achieved.
- e) Organizational structure:

- An Organisational structure was adopted by Council and implemented for the year under review. Furthermore, a skills audit was conducted by the Human Resource Department with a view to gain an understanding of the available qualifications, critical vacancies and appropriate placement based on a set of skills and qualifications.
- f) Financial Reporting Objectives:
 - Management was able to specify financial reporting objectives with sufficiency and clarity and the criteria to enable the identification of risks to reliable financial reporting.
- g) Fraud Risk:
 - The potential for material misstatement due to fraud is explicitly considered in assessing risk to the achievement of financial reporting objectives.

Performance Management

Part of the responsibilities of the Audit Committee includes the review of the performance management. The Council has pronounced the Audit Committee as a Performance and Audit Committee, i.e. an adequate scope of work by the Committee was considered and acknowledged, as contextualized in section 166 of the MFMA.

The Audit Committee has, from the financial year under review, started operating as a (Performance) Audit Committee.

The Performance Management Unit has been established, but has not been effective for the year under review.

Mr. W.K. Mahlangu

**Chairman of the Performance and Audit Committee
Mafube Local Municipality**

APPENDIX H: Long Term Contracts and Public Private Partnership

Name	Project
Rural Maintenance	Electricity supply
Ramutsa Rail	Extension of waste water treatment works
BokhomaMpha	Namahadi upgrading of gravel roads to paved
Basia Environmental Services	Energy Efficiency
Sibusisiwe Electrical	Electricity connection

APPENDIX I: Municipal Entity/Service Provider Performance Schedule

Not available

APPENDIX J: Disclosure of Financial Interest

Financial Interest Disclosure by Senior Management

Initials and Surname	Designation	Declaration of Interest made (Yes/No)
Mr P.I Radebe	Municipal Manager	Yes
Mr N.A Hlubi	Chief Financial Officer	Yes
Mrs N.E Radebe	Director Corporate Services	Yes
Mrs Z.E Mofokeng	Director Community Services and LED	Yes
Mr A.L Mphuthi	Director Planning and Infrastructure (Acting)	Yes
Mrs M.K.H Tsotetsi	Director Service Delivery and Public Safety (Acting)	Yes

APPENDIX K: REVENUE COLLECTION PERFORMANCE

12	Ref	2013/14	Budget Year 2014/15							
			Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance
R thousands									%	
<u>Revenue By Source</u>										
Property rates		19 474	16 040	16 449	2 974	17 827	8 020	9 807	122%	
Property rates - penalties & collection charges							—	—		
Service charges - electricity revenue		(102)					—	—		
Service charges - water revenue		16 770	16 032	13 905	2 369	16 287	8 016	8 271	103%	
Service charges - sanitation revenue		15 313	13 328	11 560	1 387	8 309	6 664	1 645	25%	
Service charges - refuse revenue		13 862	15 868	13 763	1 007	6 030	7 934	(1 904)	-24%	
Service charges - other		1 275	1 018	0	113	671	509	162	32%	
Rental of facilities and equipment		543	274	202	9	55	137	(82)	-60%	
Interest earned - external investments		12 999	546	546	0	55	273	(218)	-80%	
Interest earned - outstanding debtors			2 851	18 294	1 643	9 147	1 426	7 721	542%	
Dividends received							—	—		
Fines		74	3 180	3 180	4	66	1 590	(1 524)	-96%	
Licences and permits						—	—	—		
Agency services		—				—	—	—		
Transfers recognised - operational		81 227	79 571	80 239	14 813	46 401	39 786	6 615	17%	
Other revenue		2 929	5 704	5 310	64	1 301	2 852	(1 551)	-54%	

Gains on disposal of PPE		-							-		
Total Revenue (excluding capital transfers and contributions)		164 364	154 412	163 448	24 383	106 149	77 206	28 943	37%	-	

APPENDIX L: Conditional Grants Received: Excluding MIG

Name of Grant	Name of Organ of State	Quarterly Receipts					Total
		September	December	March	June		
Equitable Share	National Treasury	R30 351 000,00	R14 759 000,00	-	-	R9 968 000,00	R55 078 000,00
MSIG	CoGTA	R934 000,00	-	-	-	-	R934 000,00
CoGTA	CoGTA	-	3 000 000,00	-	-	-	R3 000 000,00
FMG	National Treasury	R1 800 000,00	-	-	-	-	R1 800 000,00
INEG	Department of Energy	-	R750 000,00	R2 250 000,00	-	-	R3 000 000,00
EEDG	Department of Energy	-	-	R4 000 000,00	-	-	R4 000 000,00
EPWP	Department of Public Works	R400 000,00	R300 000,00	R300 000,00	-	-	R1 000 000,00
TOTAL		R33 485 000,00	R18 809 000,00	R6 550 000,00	R9 968 000,00	R 68 812 000,00	

**APPENDIX M: Capital Expenditure-New and Upgrade/Renewal Programmes:
Including MIG**

No	Project description	14/15 Allocation	Expenditure	Balance of project allocation	New/Upgrade
1	Namahadi: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (4,7km)(Second km) (MIS:174361)	R11 222 160,00	R5 189 766,07	R6 032 393,93	Upgrade
2	Namahadi : Construction of Water Reticulation with 1714 Erf Connections (MIS:181245)	R25 082 805,00	R23 415 927,69	R1 666 877,31	New
3	Qalabotjha: Extension of the Waste Water Treatment Works (MIS: 184943)	R35 843 709,00	R18 056 911,90	R17 786 797,10	Upgrade
4	Mafahleng/Tweeling:Upgrade of Sports Ground (MIS: 212177)	R2 457 005,00	R721 829,40	R1 735 175,60	Upgrade
5	Namahadi/Kgatholoha: Upgrading of Sports Ground (MIS: 211474)	R4 307 886,00	R1 176 557,49	R3 131 328,51	Upgrade
6	Ntswanatsatsi/Cornelia: Upgrade of Sports Ground	R4 624 515,00	-	R4 624 515,00	Upgrade
7	Qalabotjha/Villiers: Construction of a New 6.5ML Water Reservoir	R11 219 844,00	-	R11 219 844,00	New
8	Namahadi/Marmello: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (2km)	R15 000 000,00	-	R15 000 000,00	Upgrade
9	Namahadi/Zomba: Upgrading of Sports Ground	-	-		Upgrade

APPENDIX N: Capital Programme by Project Current Year

No	Project description	Area	2014/2015 Expenditure
1	Namahadi: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (4,7km)(Second km) (MIS:174361)	Namahadi	R5 189 766,07
2	Namahadi : Construction of Water Reticulation with 1714 Erf Connections (MIS:181245)	Namahadi	R23 415 927,69
3	Qalabotjha: Extension of the Waste Water Treatment Works (MIS: 184943)	Qalabotjha	R18 056 911,90
4	Mafahlaneng/Tweeling:Upgrade of Sports Ground (MIS: 212177)	Tweeling	R721 829,40
5	Namahadi/Kgatholoha: Upgrading of Sports Ground (MIS: 211474)	Namahadi	R1 176 557,49
6	Ntswanatsatsi/Cornelia: Upgrade of Sports Ground	Ntswanatsatsi	-
7	Qalabotjha/Villiers: Construction of a New 6.5ML Water Reservoir	Qalabotjha	-
8	Namahadi/Mamello: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (2km)	Namahadi	-
9	Namahadi/Zomba: Upgrading of Sports Ground	Namahadi	-

APPENDIX O: Capital Programme by Project by Ward Current Year

No	Project description	Ward	2014/2015 Expenditure
1	Namahadi: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (4,7km)(Second km) (MIS:174361)	Ward 6	R5 189 766,07
2	Namahadi : Construction of Water Reticulation with 1714 Erf Connections (MIS:181245)	Ward 7	R23 415 927,69
3	Qalabotjha: Extension of the Waste Water Treatment Works (MIS: 184943)	Ward 3,4 and 9 (The whole area of Villiers)	R18 056 911,90
4	Mafahlanel/Tweeling:Upgrade of Sports Ground (MIS: 212177)	Ward 8	R721 829,40
5	Namahadi/Kgatholoha: Upgrading of Sports Ground (MIS: 211474)	Ward 2,5,6 and 7 (The whole area of Namahadi)	R1 176 557,49
6	Ntswanatsatsi/Cornelia: Upgrade of Sports Ground	Ward 1	-
7	Qalabotjha/Villiers: Construction of a New 6.5ML Water Reservoir	Ward 3,4 and 9 (The whole area of Villiers)	-
8	Namahadi/Mamello: Upgrading of Gravel Roads to Paved Roads and Storm Water Drainage (2km)	Ward 2	-
9	Namahadi/Zomba: Upgrading of Sports Ground	Ward 2,5, 6 and 7	-

Appendix P: Service Connection Backlogs at Schools and Clinics

Local Municipality	Town	Hospitals	BACKLOGS	Access to basic services (Water, sanitation, electricity and roads)	Intervention required
MAFUBE	Cornelia	0	One public Hospital services the four towns in Mafube	Available and in a good functional state	Building of another hospital in Villiers as this town is along the N3, and is closer to Cornelia, and also building another clinic in Namahadi. As the current one in ward 7 is small.
	Frankfort	Frankfort Hospital (Public) Riemland (Private)			
	Tweeling	0			
	Villiers	0			
	TOTAL	2			

Number of schools in rural Area in Mafube local municipality

N0. of Primary Schools	Access to water	Access to sanitation	Access to electricity	Access to ICT Infrastructure
12	10 have access and 2 don't have access	1 have access, 1 is using a VIP toilet, 9 are using pit toilets and 1 doesn't have access	5 have access and 7 doesn't have access	None

Appendix Q: Service Backlogs Experienced by the Community where another Sphere of Government is Responsible for Service Provision.

Not available

Appendix R: Declarations of Loans and Grants Made by the Municipality.

Organization	Value
DBSA	R2 199,895.98

Appendix S: Declaration of Returns not Made in due Time under MFMA s71

Section 71 reports not submitted on time was for December 2014 and May 2015.

Appendix T: National and Provincial Outcome for local government

None

LIST OF ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
AQMP	Air Quality Management Plan
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BSC	Balanced Scorecard
CDW	Community Development Workers
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
COGTA	Department of Cooperative Governance and Traditional Affairs
CPF	Community Policing Forums
CPIX	Consumer Price Index
CWP	Community Works Programme
DBSA	Development Bank of South Africa
DEDP	Director: Economic Development and Planning
DPLG	Department of Provincial and Local Government
DME	Department of Mineral and Energy
DoRA	Division of Revenue Act
DRM	Disaster Risk Management
DODCS	Director: Organisational Development and Corporate Services
DORA	Division of Revenue Act
DSS	Director: Social Services
DTIS	Director: Technical and Infrastructural Services
DWA	Department of Water Affairs
EAP	Economic Active Population
EIA	Environmental Impact Assessment
EID	Economic and Infrastructure Development Cluster
EM	Executive Mayor
EPWP	Expanded Public Works Programme
ESKOM	Electricity Supply Commission
FMG	Financial Management Grant
GAC	Governance and Administration Cluster
GIS	Geographical Information Systems
GRAP	Generally Recognised Accounting Practices
HIV	Human Immunodeficiency Virus
HRD	Human Resources Development
HRDS	Human Resources Development Strategy
ICT	Information Communication and Technology
IDP	Integrated Development Plan
IGR	Intergovernmental Relations
KPA	Key Performance Areas
KPI	Key Performance Indicators
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
LGTAS	Local Government Turnaround Strategy
LSM	Living Standard Measure
MAYCO	Mayoral Committee
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MIIIF	Municipal Infrastructure Investment Framework
MMC	Member of the Mayoral Committee

MOU	Memorandum of Understanding
MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
MSIG	Municipal Systems Improvement Grant
MTAS	Municipal Turnaround Strategy
MTBC	Medium Term Budget Committee
MTREF	Medium Term Revenue and Expenditure Framework
MTSF	Medium Term Strategic Framework
NEMA	National Environmental Management Act
NERSA	National Electricity Regulator of South Africa
NKPI	National Key Performance Indicators
NSDP	National Spatial Development Perspective
NT	National Treasury
OD	Organisational Development
OHSA	Occupational Health and Safety Act
PGDS	Provincial Growth and Development Strategy
PHC	Primary Health Care
PI F	Premier's Inter-governmental Forum
PM	Performance Management
PMS	Performance Management System
PPP	Public Private Partnership
PT	Public Transport
PWD	People Living With Disability
RDP	Reconstruction and Development Programme
RED	Regional Electricity Distributor
SALGA	South African Local Government Association
SALGBC	South African Local Government Bargaining Council
SAPS	South African Police Service
SARS	South African Revenue Service
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SETA	Sector Education and Training Authority
SGB	School Governing Body
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprise
SPCD	Social Protection and Community Development Cluster
UIF	Unemployment Insurance Fund
WWTW	Waste Water Treatment Works
WTW	Water Treatment Works

VOLUME II

(ANNUAL FINANCIAL STATEMENTS)



Mafube Local Municipality
Financial statements
for the year ended June 30, 2015

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

General Information

Nature of business and principal activities

Providing municipal services, infrastructure development and furthering the interests of the local community mainly in the Mafube area.

Municipal Council

Mayor

Sigasa JE*

Councillors

Du Plessis MC*

Hadebe M

Hlongwane JJ

Jafta UC

Kubheka LS

Mofokeng MM

Moloi T (Speaker)

Monaune PM

Motloung FP

Motloung P

Mosia AM*

Pretorius JJ

Sekhoto MM

Rakoloti N

*Executive Council Member

Grading of local authority

Medium capacity, category B municipality'sdefined by the Municipal Structures Act, 1998 (Act No 117 of 1998).

Chief Finance Officer (CFO)

NA Hlubi

Accounting Officer

PI Radebe

Business address

64 JJ Hadebe Street

Frankfort

Free State

9830

Postal address

PO Box 2

Frankfort

Free State

9830

Bankers

ABSA Bank Limited

Auditors

Auditor-General

Attorneys

Richter and Boshoff Attorneys

Enabling Legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Municipal Structures Act, 1998 (Act No. 17 of 1998)

Municipal Systems Act, 2000 (Act No. 32 of 2000)

Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)

Website

www.mafubemunicipality.gov.za

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Officer's Responsibilities and Approval

In terms of section 126(1) of the Municipal Management Act, 2003 (Act No. 56 of 2003), I am responsible for the presentation of these annual financial statements set out on pages 5 to 76, which have been prepared on the going concern basis. These financial statements were not tabled for review by the Audit Committee.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 32 of these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act..



PI Radebe
Municipal Manager

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2015.

1. Review of activities

Main business and operations

2. Going concern

The municipality is experiencing financial difficulties, the following indicators are as follows:

- (a) Suppliers were not paid within the legislative period of 30 days, as required by section 64 of the MFMA;
- (b) The municipality defaulted on the repayment of the DBSA non-current borrowings which has led to the restructuring of the borrowings;
- (c) Conditional grants have not been spent within the required period and have thus, been used for operating purposes;
- (d) Although the VAT returns have been submitted on time for the financial year, payments were not made within the required period after submission.
- (e) PAYE, UIF and SDL were not submitted and paid over on time to SARS.
- (f) Statutory deductions made from the employee's salaries have not been paid over to third parties on time;
- (g) Employee benefit obligations are unfunded.
- (h) Revenue collection rate has at no point of the financial year exceeded or reached 90% of the total monthly billing.

The municipality is currently exploring alternative means to improve its financial position.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to source funding for the ongoing operations for the municipality.

Although certain financial ratio's may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2012 (Act No. 5 of 2012).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts for the year under review.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
PI Radebe	South African

6. Auditors

Auditor-General will continue in office for the next financial period.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Statement of Financial Position as at June 30, 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Inventories			
	8	450,155	370,635
Other financial assets	6	40,555	31,415
Receivables from exchange transactions	9	5,073,582	3,659,010
Receivables from non-exchange transactions	10	6,209,628	3,695,687
Consumer receivables from exchange transactions	11	63,954,782	35,926,954
Cash and cash equivalents	13	619,928	64,367
		76,348,630	43,748,068
Non-Current Assets			
Investment property	3	52,836,248	53,891,030
Property, plant and equipment	4	1,044,127,738	1,153,361,203
Intangible assets	5	126,143	166,008
Other financial assets	6	328,695	323,705
		1,097,418,824	1,207,741,946
Total Assets			
		1,173,767,454	1,251,490,014
Liabilities			
Current Liabilities			
Other financial liabilities	16	263,581	263,581
Finance lease obligation	14	545,955	868,586
Payables from exchange transactions	18	274,867,634	181,593,825
VAT payable	19	9,317,657	13,388,504
Consumer deposits	20	819,109	786,920
Unspent conditional grants and receipts	15	9,400,165	21,611,165
		295,214,101	218,512,581
Non-Current Liabilities			
Other financial liabilities	16	1,316,665	1,823,689
Finance lease obligation	14	-	366,722
Employee benefit obligation	7	14,457,948	14,674,814
Provisions	17	9,759,739	8,970,519
		25,534,352	25,835,744
Total Liabilities			
		320,748,453	244,348,325
Net Assets			
Accumulated surplus		853,019,001	1,007,141,689
		853,019,003	1,007,141,689

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	24	61,461,665	48,865,840
Royalty income		779,299	549,867
Rental of facilities and equipment	37	435,122	543,056
Administration and management fees received		708,183	538,696
Recoveries		635,273	1,070,688
Other income	27	659,751	770,175
Interest received - investment	32	19,675,097	13,063,487
Total revenue from exchange transactions		84,354,390	65,401,809
Revenue from non-exchange transactions			
Taxation revenue			
Fines		119,791	73,870
Property rates	23	21,152,561	19,474,278
Transfer revenue			
Government grants & subsidies	25	102,213,468	96,843,819
Total revenue from non-exchange transactions		123,485,820	116,391,967
Total revenue	22	207,840,210	181,793,776
Expenditure			
Employee related costs	29	(73,311,313)	(77,962,771)
Remuneration of councillors	30	(4,946,053)	(5,235,182)
Depreciation and amortisation	34	(134,394,661)	(137,283,347)
Finance costs	35	(12,101,882)	(7,849,642)
Lease rentals on operating lease		(904,322)	(649,532)
Debt Impairment	31	(44,882,190)	(37,976,426)
Repairs and maintenance		(32,876,183)	(11,206,908)
Bulk purchases	39	(23,768,637)	(27,714,956)
Transfers and Subsidies	38	(3,547,907)	(6,746,501)
General Expenses	28	(30,568,142)	(25,293,339)
Total expenditure		(361,301,290)	(337,918,604)
Operating deficit			
Fair value adjustments	33	(153,461,080)	(156,124,828)
Gain on disposal of assets		1,401,000	(2,716,861)
		(9,208)	-
Deficit for the year		1,391,792	(2,716,861)
		(152,069,288)	(158,841,689)

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2013	1,165,983,378	1,165,983,378
Changes in net assets		
Surplus for the year	(158,841,689)	(158,841,689)
Total changes	(158,841,689)	(158,841,689)
Balance at July 1, 2014	1,005,088,291	1,005,088,291
Changes in net assets		
Surplus for the year	(152,069,288)	(152,069,288)
Total changes	(152,069,288)	(152,069,288)
Balance at June 30, 2015	853,019,003	853,019,003
Note(s)		

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Cash Flow Statement

Figures in Rand

Note(s) 2015 2014

Cash flows from operating activities

Receipts

Property Rates and service charges	21,152,561	21,155,325
Sale of Goods and Services	6,549,242	6,967,995
Grants	90,002,468	104,741,591
Interest income	19,675,097	12,998,767
Other receipts	14,557,142	3,472,482
	<u>151,936,510</u>	<u>149,336,160</u>

Payments

Employee costs	(41,626,139)	(44,109,579)
Suppliers	(177,240,726)	(32,366,595)
Finance costs	(10,159,131)	(5,853,682)
Other cash item	105,526,462	(31,159,594)
	<u>(123,499,534)</u>	<u>(113,489,450)</u>

Net cash flows from operating activities

40 **28,436,976** **35,846,710**

Cash flows from investing activities

Purchase of property, plant and equipment	4 (23,284,331)	(28,007,968)
Purchase of other intangible assets	5 -	(199,210)
Proceeds from sale of financial assets	(14,130)	62,547
Proceeds from sale of other assets	(9,208)	-
	<u>(23,307,669)</u>	<u>(28,144,631)</u>

Cash flows from financing activities

Repayment of other financial liabilities	(507,024)	10,096
Finance lease payments	(2,638,128)	(5,579,207)
	<u>(3,145,152)</u>	<u>(5,569,111)</u>

Net increase/(decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the year	1,984,155	2,132,968
	64,367	2,699,097
	<u>2,048,522</u>	<u>4,832,065</u>

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	-	31,345,714	31,345,714	61,461,665	30,115,951	
Royalty income	-	2,974,633	2,974,633	779,299	(2,195,334)	
Rental of facilities and equipment	-	98,080	98,080	435,122	337,042	
Administration and management fees received	-	972,949	972,949	708,183	(264,766)	
Recoveries	-	-	-	635,273	635,273	
Other income - (rollup)	-	1,166,086	1,166,086	659,751	(506,335)	
Interest received - investment	-	18,170,804	18,170,804	19,675,097	1,504,293	
Total revenue from exchange transactions	-	54,728,266	54,728,266	84,354,390	29,626,124	
Revenue from non-exchange transactions						
Taxation revenue						
Direct taxes (Income tax, estate duty)	-	3,180,000	3,180,000	119,791	(3,060,209)	
Property rates	-	15,562,166	15,562,166	21,152,561	5,590,395	
Transfer revenue						
Government grants & subsidies	-	108,494,216	108,494,216	102,213,468	(6,280,748)	
Total revenue from non-exchange transactions	-	127,236,382	127,236,382	123,485,820	(3,750,562)	
Total revenue	-	181,964,648	181,964,648	207,840,210	25,875,562	
Expenditure						
Personnel	-	(74,585,276)	(74,585,276)	(73,311,313)	1,273,963	
Remuneration of councillors	-	(4,926,142)	(4,926,142)	(4,946,053)	(19,911)	
Depreciation and amortisation	-	-	-	(134,394,661)	(134,394,661)	
Finance costs	-	(5,989,516)	(5,989,516)	(12,101,882)	(6,112,366)	
Lease rentals on operating lease	-	(1,306,179)	(1,306,179)	(904,322)	401,857	
Bad debts written off	-	(3,307,500)	(3,307,500)	(44,882,190)	(41,574,690)	
Repairs and maintenance	-	(15,240,408)	(15,240,408)	(32,876,183)	(17,635,775)	
Bulk purchases	-	(5,000,000)	(5,000,000)	(23,768,637)	(18,768,637)	
Transfers and Subsidies	-	(8,500,000)	(8,500,000)	(3,547,907)	4,952,093	
General Expenses	-	(173,948,933)	(173,948,933)	(30,568,142)	143,380,791	
Total expenditure	-	(292,803,954)	(292,803,954)	(361,301,290)	(68,497,336)	
Operating deficit	-	(110,839,306)	(110,839,306)	(153,461,080)	(42,621,774)	
Fair value adjustments	-	-	-	1,401,000	1,401,000	
Loss on biological assets and agricultural produce	-	-	-	(9,208)	(9,208)	
	-	-	-	1,391,792	1,391,792	
Deficit before taxation	-	(110,839,306)	(110,839,306)	(152,069,288)	(41,229,982)	

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement		-	(110,839,306)	(110,839,306)	(152,069,288)	(41,229,982)

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Acquisition dates of Property, Plant and Equipment

The assumptions used to determine the acquisition dates for items of Property, Plant and Equipment that have been recognised for the first time as part of the reconstruction of the immovable asset register is as follows (in order of application):

- Dates from existing asset register;
- Keystone or inscription on the asset;
- Dates from Delphi Group workshops;
- Asset material or technology (i.e. PVC pipes were not implemented before a particular date);
- Dates of township proclamation;
- Information from residents.

Other

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Investment property excludes owner-occupied property that is used in the production or supply of goods and services or for administrative purposes, or property held to provide social services.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.4 Investment property (continued)

Subsequent measurement

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	x years

Disposal

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) or property, plant and equipment.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent cost

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of . If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Motor vehicles	5-7 years
• Vehicles, tractors and trailers	
Infrastructure	10-80 years
• Electricity Network	10-80 years
• Water network	7-50 years
• Roads and bridges	7-80 years
• Sanitation	15-75 years
• Solid waste - Landfills	
Community	15-18 Years
• Cemeteries	7-80 years
• Livestock facilities*	7-80 years
• Municipal Buildings	7-80 years
• Parks and gardens	7-80 years
• Sport facilities	7-80 years
• Housing*	7-80 years
Other property, plant and equipment	3-10 years
• Computer equipment	3-5 years
• Office equipment	3-10 years
• Furniture and fixtures	3-10 years
• Other	3-5 years
Other leased Assets # 1	30-72 years
Landfill rehabilitation asset	

*The useful lives of Livestock facilities and Housing were updated with the review and submission of the revised infrastructure register. No disclosures relating to the change in the estimated useful lives has been made as no depreciation were provided in the prior year on infrastructure assets. All changes were accounted for under note 45. - Prior year errors.

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

The municipality recognises computer software cost as intangible assets if the cost are clearly associated with an identifiable and unique system controlled by the municipality and have a benefit exceeding one year.

An intangible asset acquired at no or nominal cost, i.e non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Subsequent measurement

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment loss.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.8 Financial instruments (continued)

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value
Other financial asset2	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost
Loan3	Financial liability measured at amortised cost
Other receivables1	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost
Other financial liability1	Financial liability measured at fair value
Other financial liability2	Financial liability measured at fair value

Class	Category
-------	----------

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.9 Tax

Value Added Tax

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scope out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

The municipality consider the following indicators, in assessing whether there is any indication that an asset may be impaired:

External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset
- Significant long-term changes with an adverse effect have taken place during the period in the technological, legal or government policy environment in which it operates.

Internal sources of information

- Evidence is available of physical damage of an asset
- Significant long-term changes with an adverse effect during the period in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date
- A decision to halt the construction of the asset before it is complete or in a usable condition
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected

Value in use

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit valuation method as prescribed by IAS 19.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occur.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Mafube Local Municipality

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Accounting Policies

1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

Contingent assets and contingent liabilities are not recognised, except in entity combinations.

Contingencies are disclosed in note...

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Use by others of the entity's assets

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amount are legally enforceable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year

The comparative figures ahve been restated, additional disclosures are included in note 44.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Subsequent events

Events after the reporting date that are classified as adjusting events have been accounted for in the Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Financial Statements.

1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The approved budget covers the period from 1 July 2014 to 30 June 2015.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Key Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Accounting Policies

1.28 Public private partnership

The municipality has the following PPP's

The municipality appointed Rural Maintenance (Pty) Ltd in respect of management, operation, administration, maintenance and expansion of the municipal network, inclusive of the revenue management process, as well as the implementation of a regional electrification programme ("the project"). Rural will take over the operation of the existing/ initial assets ("network assets") and will also install new assets ("investment assets"). Rural will be allowed to commission the electricity generation plant for own generation and sale to consumers ("the public") of electricity. The contract further stipulates the level of service Rural is to adhere to as the contract is a service level agreement. From the takeover date, any loss or profit associated with the project shall be for the account of Rural. The ownership of the network shall remain vested in the Municipality and the Municipality will bear the risk of loss relating to the network and shall ensure there is appropriate insurance cover in that regard. The ownership of the investment assets remains with Rural till the end of the contract.

At the end of the contract, the ownership of the Investment assets will transfer the Municipality. In the event that the contract is terminated by Rural during the term of the agreement, ownership of the investment assets will transfer to the Municipality at no cost to the Municipality (i.e. the assets will become the sole and paid up property of the Municipality). Rural shall pay to the Municipality a monthly royalty for the use of the Network. The amount of the monthly royalty will be based on the bulk use of electricity. The amount of the monthly royalty shall be fixed except with regards to annual rates increases. Rural shall be entitled from takeover date to collect, directly from consumers all monies due for all services rendered and other payments due from consumers (i.e. invoices and statements will be in the name of Rural). However, the charges collected for electricity consumption and related services are regulated and approved by NERSA. All municipal employees associated with electricity distribution shall be seconded to Rural and Rural shall bear responsibility for such employees during the term of the agreement. In the event that the employees are seconded to Rural, Rural shall transfer cost to company amounts to the Municipality for the payment of such employees on a monthly basis.

The agreement shall terminate at the end of the 25th year. The contract can be renegotiated 2 years from expiry of the term. In the event that the Municipality cancels the agreement prior to the 25th period without any material breach, the Municipality will be liable for compensation in respect of all demonstrable losses and damages including but not limited to, loss of future income as well as market-related compensation in respect of the equipment. At any time during the term of the agreement Rural may cancel the agreement by giving 1 year's notice to the Municipality, whereupon all equipment will become the sole and exclusive paid-up property of the Municipality.

The municipality accounts for PPP's in accordance with the ASB PPP guideline when it controls the underlying asset. Control over the underlying asset is evidenced by the following:

The municipality controls or regulates the services the private party must provide with the associated asset, to whom it must provide them and at what price;

The municipality controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the agreement.

Where the arrangement falls within the scope of the PPP guideline, the municipality applies the following accounting:

The underlying assets in the arrangement are recognised by the municipality;

Any unitary payments made are split between the asset and service element;

The municipality recognises a liability with respect to its obligation to the private entity (in the form of a financial liability where the private party will receive a consideration from the municipality).

1.29 Commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actual liability. Capital commitments are not recognised but only disclosed. Capital commitments are disclosed in note

Mafube Local Municipality
Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

Figures in Rand

2015

2014

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

2. New standards and interpretations

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

Figures in Rand

2015 2014

3. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	60,222,608	(7,386,360)	52,836,248	60,222,608	(6,331,578)	53,891,030

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	53,891,030	(1,054,782)	52,836,248

Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	54,945,810	(1,054,780)	53,891,030
Fair value of investment properties	-	80,052,955	

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the cost model (when fair value of investment property cannot be reliably determined), disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Mafube Local Municipality

Financial Statements for the year ended June 30, 2015

Notes to the Financial Statements

Figures in Rand

2015 2014

4. Property, plant and equipment

	2015		2014			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	250,920,847	-	250,920,847	250,920,847	-	250,920,847
Motor vehicles	12,849,366	(6,406,596)	6,442,770	12,493,569	(4,306,610)	8,186,959
Office equipment	3,792	-	3,792	(23)	-	(23)
Infrastructure	1,395,282,825	(819,173,709)	576,109,116	1,395,282,825	(702,194,677)	693,088,148
Community	168,758,492	(84,889,820)	83,868,672	168,758,492	(72,767,447)	95,991,045
Other property, plant and equipment	2,533,719	(2,137,297)	396,422	2,546,720	(1,554,720)	992,000
Landfill Rehabilitation Asset	9,759,738	(3,780,701)	5,979,037	8,970,520	(3,101,619)	5,868,901
Leased Asset	2,516,989	(2,020,608)	496,381	2,510,965	(1,183,620)	1,327,345
Work in Progress	119,910,701	-	119,910,701	96,985,981	-	96,985,981
Total	1,962,536,469	(918,408,731)	1,044,127,738	1,938,469,896	(785,108,693)	1,153,361,203

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	250,920,847	-	-	-	-	250,920,847
Motor vehicles	8,186,959	355,796	-	-	(2,099,985)	6,442,770
Office equipment	(23)	3,815	-	-	-	3,792
Infrastructure	693,088,148	-	-	-	(116,979,032)	576,109,116
Community	95,991,045	-	-	-	(12,122,373)	83,868,672
Other property, plant and equipment	992,000	-	(215,888)	325,043	(704,733)	396,422
Landfill Rehabilitation Asset	5,868,901	110,136	-	-	-	5,979,037
Leased Asset	1,327,345	-	-	6,024	(836,988)	496,381
Work in Progress	96,985,981	22,924,720	-	-	-	119,910,701
Total	1,153,361,203	23,394,467	(215,888)	331,067	(132,743,111)	1,044,127,738

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers received	Other changes, movements	Depreciation	Total
Land	-	-	250,920,847	-	-	250,920,847
Motor vehicles	10,186,041	411,129	-	(27,127) (2,383,084)	8,186,959 (23)	8,186,959 (23)
Office equipment	-	-	-	-	-	-
Infrastructure	810,067,179	-	-	-	(116,979,031)	693,088,148
Community	108,113,418	-	-	-	(12,122,373)	95,991,045
Other property, plant and equipment	1,246,904	276,337	-	(204,599) (326,642)	-	992,000
Landfill rehabilitation asset	2,652,475	5,838,866	-	-	(2,622,440)	5,868,901
Leased assets	2,164,334	102,885	-	(102,885) (836,989)	-	1,327,345
Work in progress	72,993,379	23,992,602	-	-	-	96,985,981
Total	1,007,423,730	30,621,819	250,920,847	(334,611) (135,270,582)	1,153,361,203	

Pledged as security

No property, plant and equipment was pledged as security for any financial liability. Leased assets are secured by the lessor's charge over the leased assets as set out in note 16.

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4. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Leased assets - Photo copier machines	496,381	1,327,345
---------------------------------------	---------	-----------

5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,946,607	(1,820,464)	126,143	1,946,607	(1,780,599)	166,008

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software, other	166,008	(39,865)	126,143

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	199,210	(33,202)	166,008

Other information

The capitalised computer software was estimated to have a finite life of 5 years at acquisition. The software is amortised using the straight-line method over a period of 5 years.

6. Other financial assets

At amortised cost

VKB Agriculture Limited - Short term member loan	20,739	14,845
VKB Agriculture Limited - Short term member Loan		
The member loan bears interest at 4.5% per annum (2012:5%) and is available on demand		
VKB Agriculture Limited - Security member loan	14,816	11,570
When the member fund awards mature after 15 years it is transferred to the member loan account. The loan serves as security against the trading account. The loan bears interest at 4.5% (2012: 5%) per annum and is payable on demand after settling any outstanding balance on the trading account.		
VKB Agriculture Limited - Member Funds	249,360	244,370
The member funds arises from awards earned by members based on purchases. Awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the securitymember loan.		
VKB Agriculture Limited - Membership	5,000	5,000
The membership deposit was paid to open a trading account and become a member. The receivable do not earn interest nor dividends and is repayable when membership is cancelled.		
VKB Agriculture Limited - Reserves	79,335	79,335
The reserves arises from special awards allocated to members. special awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security member loan.		

Mafube Local Municipality

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6. Other financial assets (continued)

	369,250	355,120
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Non-current assets

Loans and receivables

	328,695	323,705
--	---------	---------

Current assets

Loans and Receivables

	40,555	31,415
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7. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality has a post employment medical aid fund for its pensioners. The post-retirement medical aid benefits are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norm of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement;
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norm of the cost of his or her medical sheme contributions as at the day immediately prior to the date of his or her retirement.

Long service benefits

The municipality's liability for long-service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of five year's service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State devision of SALGBC which was signed on July 2010.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-partly or wholly funded

(14,457,948)	(14,674,814)
--------------	--------------

These obligations are not a funded arrangement, i.e. no serparate assets have been set aside currently to meet these obligations.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance

14,674,814	11,474,814
------------	------------

Benefits paid

(652,866)	(812,000)
-----------	-----------

Net expense recognised in the statement of financial performance

436,000	4,012,000
---------	-----------

14,457,948	14,674,814
-------------------	-------------------

Net expense recognised in the statement of financial performance

Current service cost

623,000	427,000
---------	---------

Interest cost

1,214,000	856,000
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Actuarial (gains) losses

(1,401,000)	2,729,000
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436,000	4,012,000
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Mafube Local Municipality
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7. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(1,401,000)	2,729,000
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.36 %	8.51 %
Medical cost trend rates	7.76 %	7.83 %
Expected increase in salaries	7.82 %	7.06 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	937,000	764,000
Effect on defined benefit obligation	10,268,000	8,722,000

The municipality expects to pay benefits of :R845 000 towards post retirement medical aid and R947 000 towards long service benefits to its employee benefits in 2016.

The municipality obtained an actuarial valuation for the first time on the post retirement medical aid at 30 June 2010 and for the long service benefits at 30 June 2011.

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	(14,457,948)	(14,674,814)	(11,474,814)	(10,947,945)	(9,624,299)

8. Inventories

Consumable stores	217,030	137,510
Water	233,125	233,125
	450,155	370,635

Expensed inventory

152,005	995,767
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Inventory pledged as security

No Inventory was pledged as security for any financial liability.

Mafube Local Municipality

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9. Receivables from exchange transactions

Councillor overpayment	2,700,802	2,700,802
Councillor overpayment receivable - Impairment	(863,037)	(863,037)
Other receivable*	3,263,817	1,849,245
Sundry receivables	20,000	20,000
Mayoral Functions	(48,000)	(48,000)
	5,073,582	3,659,010

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

The carrying value of the receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables.

None of the receivables that are fully performing have been renegotiated in the last year.

The municipality does not hold any collateral as security

Reconciliation of provision for impairment of trade and other receivables

Opening balance	863,037	863,037
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10. Receivables from non-exchange transactions

Rates - Impairment	(19,172,701)	(15,091,223)
Rates	25,382,329	18,786,910
	6,209,628	3,695,687

Receivables from non-exchange transactions impaired

As of June 30, 2015, other receivables from non-exchange transactions of R16 774 727 -00 (2014: R15 833 152 -00) were impaired and provided for.

The amount of the provision was R 15 091 223- as of June 30, 2015 (2014: R12 246 285 -).

The ageing of these loans is as follows:

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(17,936,161)	(15,091,223)
Provision for impairment	-	(2,992,203)
Amounts written off as uncollectible	-	147,265
	(17,936,161)	(17,936,161)

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivable.

None of the receivables were pledged as security for any financial liability.

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11. Consumer debtors

Gross balances

Electricity	5,270,118	5,280,866
Water	99,412,536	67,555,629
Sewerage	78,825,831	58,800,219
Refuse	69,295,269	54,046,457
Sundry consumer services	3,695,933	2,805,609
	256,499,687	188,488,780

Less: Allowance for impairment

Electricity	(3,980,816)	(5,025,615)
Water	(73,888,144)	(45,273,669)
Sewerage	(59,541,584)	(36,867,243)
Refuse	(52,342,615)	(35,212,853)
Sundry consumer services	(2,791,746)	(30,182,446)
	(192,544,905)	(152,561,826)

Net balance

Electricity	1,289,302	255,251
Water	25,524,392	22,281,960
Sewerage	19,284,247	21,932,976
Refuse	16,952,654	18,833,604
Sundry consumer services	904,187	(27,376,837)
	63,954,782	35,926,954

Electricity

Current (0 -30 days)	9,023	34,647
31 - 60 days	8,978	34,480
61 - 90 days	10,020	37,192
91 - 120 days	1,261,281	148,932
	1,289,302	255,251

Water

Current (0 -30 days)	880,698	2,063,365
31 - 60 days	723,452	2,039,834
61 - 90 days	785,348	1,705,201
91 - 120 days	21,541,293	16,473,560
Unmetered consumption	1,358,094	-
	25,288,885	22,281,960

Sewerage

Current (0 -30 days)	498,820	1,552,860
31 - 60 days	485,510	1,439,690
61 - 90 days	468,148	1,402,550
91 - 120 days	17,831,769	17,537,876
	19,284,247	21,932,976

Refuse

Current (0 -30 days)	380,097	1,397,227
31 - 60 days	370,860	1,311,060
61 - 90 days	360,617	1,281,850
91 - 120 days	15,841,080	14,843,467
	16,952,654	18,833,604

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11. Consumer debtors (continued)

Sundry services

Current (0 -30 days)	29,508	94,704
31 - 60 days	3,442	67,281
61 - 90 days	3,347	26,048
91 - 120 days	867,890	(27,564,870)
	904,187	(27,376,837)

Summary of debtors by customer classification

Consumers + Other

Current (0 -30 days)	7,064,925	10,172,957
31 - 60 days	6,162,010	4,539,139
61 - 90 days	6,249,383	4,989,832
91 - 120 days	245,874,416	173,030,919
	265,350,734	192,732,847
Less: Allowance for impairment	(202,405,265)	(155,301,604)
	62,945,469	37,431,243

Industrial/ commercial

Current (0 -30 days)	751,060	581,614
31 - 60 days	599,212	247,336
61 - 90 days	390,936	248,123
91 - 120 days	8,446,309	5,907,088
	10,187,517	6,984,161
Less: Allowance for impairment	(7,770,874)	(5,572,500)
	2,416,643	1,411,661

National and provincial government

Current (0 -30 days)	465,916	902,227
31 - 60 days	136,015	210,523
61 - 90 days	122,925	212,839
91 - 120 days	1,295,990	7,079,243
	2,020,846	8,404,832
Less: Allowance for impairment	(1,541,468)	(6,806,149)
	479,378	1,598,683

Total

Current (0 -30 days)	8,281,901	11,656,798
31 - 60 days	6,897,237	4,996,998
61 - 90 days	6,763,244	5,450,794
91 - 120 days	255,616,715	13,822,364
	277,559,097	35,926,954
Less: Allowance for impairment	(211,717,607)	-
	65,841,490	35,926,954

Less: Allowance for impairment

91 - 120 days	(211,717,607)	(152,561,826)
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11. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(152,561,826)	(118,325,381)
Contributions to allowance	(44,882,190)	(34,984,223)
Debt impairment written off against allowance	-	747,778
	(197,444,016)	(152,561,826)

Credit quality of consumer debtors

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables.

None of the receivables were pledged as security for any financial liability.

Consumer debtors impaired

The amount of the provision was R 152 441 767-00 as of June 30, 2015 (2014: R11 8325 -00).

Reconciliation of allowance for impairment of consumer debtors

Opening balance	(186,558,153)	(152,441,767)
Allowance for impairment	-	(34,984,223)
Amounts written off as uncollectible	-	867,837
	(186,558,153)	(186,558,153)

12. Consumer debtors disclosure

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	591,083	28,957
Short-term deposits	28,845	35,410
	619,928	64,367

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2015	June 30, 2014	June 30, 2013
ABSA - Primary Account(40-5282-3517)	96,395	37,889	2,349,950	591,083	28,957	2,414,966
ABSA Call Account (90-9011-1270)	9,529	21,272	2,226	9,530	21,272	2,226
ABSA Call Account (92-2961-8782)	16,879	11,771	119,738	16,879	11,771	119,738
ABSA Call Account (92-3238-7538)	2,436	2,366	2,366	2,436	2,366	2,306
ABSA BANK - Fixed Deposit - 20-6691-9592	-	-	159,861	-	-	159,861
Total	125,239	73,298	2,634,141	619,928	64,366	2,699,097

Mafube Local Municipality

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14. Finance lease obligation

Minimum lease payments due

- within one year	563,380	965,793
- in second to fifth year inclusive	-	563,380
	563,380	1,529,173
less: future finance charges	(17,425)	(293,865)

Present value of minimum lease payments

545,955 1,235,308

Present value of minimum lease payments due

- within one year	545,955	868,586
- in second to fifth year inclusive	-	366,722
	545,955	1,235,308

Non-current liabilities

Current liabilities	-	366,722
	545,955	868,586
	545,955	1,235,308

The municipality lease photo copier machines under finance lease. The lease term is 3 years and the average effective borrowing rate was 9.5% (2014:9.5%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets to the carrying value of R. (2014: R1 325 231.57).

The municipality did not default on the repayments during the current or prior reporting period. No terms and conditions were renegotiated.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	8,516,957	16,738,146
Expanded Public Work Programme Integrated (EPWP)	491,058	1,242,823
Integrated National Electrification Grant	235,798	776,235
Finance Management Grant	17,523	127
Electricity Efficiency Grant (Demand)	138,829	2,853,834
	9,400,165	21,611,165

Movement during the year

Balance at the beginning of the year	21,611,165	13,044,256
Additions during the year	31,134,000	33,072,700
Income recognition during the year	(43,345,000)	(24,505,791)
	9,400,165	21,611,165

The total balance of unspent conditional grants have decreased since 2014 from a total of R21 611 165 to R9 400 165. It should be noted that the National Treasury withheld a total amount of R21 611 165 of the equitable share as a repayment of conditional grants unspent at the end of the financial year (30 June 2014).

Mafube Local Municipality

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16. Other financial liabilities

At amortised cost

DBSA - 61006963

The loan is from the Development Bank of Southern Africa (DBSA) and repayments are payable on a 3 monthly basis in equal installments. The redemption date is 31 December 2021 and the loan bears interest at a fixed rate of 5% on the loan and 7% on the arrears.

1,580,246 2,087,270

The municipality defaulted on the repayment terms, the balance of the arrear account is R29 522.58(2014: R294 209.52). The loan was rescheduled, to the terms and conditions above, on 1 March 2012. The municipality has however; commenced with a repayment of R50 000 per month, the first payment commenced in March 2014.

Non-current liabilities

At amortised cost

1,316,665 1,823,689

Current liabilities

At amortised cost

263,581 263,581

17. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Rehabilitation of landfill sites	8,970,519	789,220	9,759,739

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Rehabilitatation of landfill sites	3,089,832	5,880,687	8,970,519

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

The provision has been determined by an independent firm of consulting engineers through investigation to determine the best estimate for the restoration at closure. The investigation comprised a desk study and site walkover. The sites were adjudicated according to the Minimum Requirements for Waste Disposal by Landfill as published by the Department of Water Affairs (DWA) which falls under the Waste Act (Act No. 59 of 2008).

The Municipality has four active landfill sites as per the infrastructure asset register:

- Frankfort Landfill; (Remaining useful life of 10 years)
- Mafahlaneng Landfill (A license for closure has been applied for for this landfill)
- Ntshwanatsatsi Landfill (Remaining useful life of 15 years)
- Villiers Landfill (Remaining useful life of 11 years)

There were no landfill sites developed, planned or closed during the current or prior reporting period.

A permitt issued to any landfill site before 2008 would have fallen under the Environment Conservation Act, 1989 (Act No. 73 of 1989).

It has been identified that the landfill sites situated in Cornelia, Frankfort, Tweeling and Villiers are not licenced as required by the Waste Act (Act No. 59 of 2008).

Mafube Local Municipality

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18. Payables from exchange transactions

Trade payables	58,637,215	30,785,609
Accrued leave pay	15,427,394	12,907,924
Accrued expense 1	41,308,055	314,458
13th Cheque accrual*	1,408,172	1,375,230
Other payables	2,103,926	6,867
Salary control accounts	18,111,611	9,760,682
Retention's on contract creditors	4,781,237	2,504,734
Income received in advance****	6,730,802	6,730,802
Advance payable**	3,400,000	2,000,000
Eskom	15,237,315	36,259,364
Department of Water Affairs (DWA)	77,535,433	59,769,157
Electricity payable***	24,909,461	16,199,572
Auditor-General	5,277,013	2,979,426
	274,867,634	181,593,825

The Municipality defaulted on the payment of suppliers within the legislative 30 days.

*Annual 13th cheque bonuses are paid to all municipal staff in their month of birth, excluding Section 57 managers. The balance at year end represents the portion of the bonus which has vested with regards to the current salary from month of birthup until year end.

** The Municipality received an advance from Rural Maintenance (Pty) Ltd on 30 June 2014 and November 2014.

***Being the municipal electricity usage on municipal buildings, street lights, traffic lights, pump stations etc. owing to the service provider Rural Maintenance (Pty)Ltd.

**** The Municipality is receiving an inflow af resources in the form of electricity assets from Rural Maintenance (Pty) Ltd, without having delivered on its portion of the exchange.

19. VAT payable

Tax refunds payables	9,317,657	13,388.504
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The Municipality is registered on the cash basis for VAT purposes, this means VAT is only declared once cash is received or actual payment is made. This balance includes VAT which was billed on debtors for services, as well as invoices captured for which payment was not made or received and, VAT outstanding for which payment was received from debtors.

Not all VAT returns were timeously submitted by due date, although the amounts payable were not paid on or before the due date. Penalties and interest charged on late payment were accounted for an disclosed as fruitless and wasteful expenditure.

20. Consumer deposits

Water	819,109	786.920
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No guarantees are held in lieu of consumer deposits. These are deposits held by the municipality in respect of consumer accounts which have been opened.

21. Financial Instruments Disclosure

Categories of financial instruments

2015

Financial liabilities

	At amortised cost	Total
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Mafube Local Municipality

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	2015	2014
. Financial Instruments Disclosure (continued)		
Consumer Deposits	819,109	819,109
Finance lease liabilities (Current)	545,955	545,955
Other financial liabilities (Current portion)	263,581	263,581
Other financial liabilities (Non-Current)	1,316,665	1,316,665
	2,945,310	2,945,310

2014

Financial liabilities

	At amortised cost	Total
Consumer Deposits	786,920	786,920
Finance lease liabilities (Current)	868,586	868,586
Payables from exchange transactions	156,923,846	156,923,846
Other financial liabilities (Current portion)	263,581	263,581
Other financial liabilities (Non-current)	1,823,689	1,823,689
Finance Lease liabilities (non- current)	366,722	366,722
	161,033,344	161,033,344

22. Revenue

Service charges	61,461,665	48,865,840
Royalty income	779,299	549,867
Rental of facilities and equipment	435,122	543,056
Administration and management fees received	708,183	538,696
Recoveries	635,273	1,070,688
Other income - (rollup)	659,751	770,175
Interest received - investment	19,675,097	13,063,487
Fines	119,791	73,870
Property rates	21,152,561	19,474,278
Government grants & subsidies	102,213,468	96,843,819
	207,840,210	181,793,776

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	61,461,665	48,865,840
Royalty income	779,299	549,867
Rental of facilities and equipment	435,122	543,056
Administration and management fees received	708,183	538,696
Recoveries	635,273	1,070,688
Other income - (rollup)	659,751	770,175
Interest received - investment	19,675,097	13,063,487
	84,354,390	65,401,809

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Fines	119,791	73,870
Property rates	21,152,561	19,474,278
Transfer revenue		
Government grants & subsidies	102,213,468	96,843,819
	123,485,820	116,391,967

Mafube Local Municipality

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23. Property rates

Rates received

Residential	17,534,709	16,347,134
Commercial	15,119,784	14,028,082
Agricultural	1,425,035	1,340,704
Less: Income forgone*	(12,926,967)	(12,241,642)
	21,152,561	19,474,278

*Income forgone can be defined as any income that the Municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission. The amount forgone has increased from prior year as a result of more registrations which were done of pensioners who are levied rates on their properties, and an ongoing incentive which the municipality initiated as a mechanism to increase its collection for the 2015 financial year.

Valuations

Residential	986,197,817	957,251,297
Business and Industrial	275,513,822	230,403,142
Government	149,506,332	122,096,082
Agriculture	2,371,104,339	2,435,135,189
Institutional, educational and churches	151,135,941	34,930,353
	3,933,458,251	3,779,816,063

Valuations on land and buildings are performed every 5 years. The last general valuation roll was done in November 2010 and came into effect on 1 July 2011, and is based on market-related values.

The first R50 000 of the valuation of residential property is exempted from rates.

As per the approved budget the basic rates were adjusted as follows:

R0.007242 (2014: R0.006915) Rate per Rand on the value of rateable residential property
 R0.016265 (2014: R0.0015491) Rate per rand on the value of rateable business property
 R0.069069 (2014: R0.065780) Rate per Rand on the value of rateable government property
 R0.000601 (2014: R0.000573) Rate per Rand on the value of agricultural property
 R (2013: R0.044900) Rate per Rand on the value of vacant stands

The municipality has commenced with processes to compile a new general valuation roll which will be implemented on 01 July 2015.

24. Service charges

Sundry Service Charges	1,346,169	1,275,172
Sale of electricity	(414)	(102,286)
Sale of water	31,294,060	18,518,134
Solid waste	20,183	19,596
Sewerage and sanitation charges	16,696,403	15,312,749
Refuse removal	12,105,264	13,842,475
	61,461,665	48,865,840

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25. Government grants and subsidies

Operating grants

Equitable share	76,678,000	67,799,171
Fezile Dabi District Municipality	790,468	-
Expanded Public Works Program Integrated Grant (EPWP)	519,980	646,557
Treasury and Cooperative Governance and Traditional Affairs (COGTA)	3,000,000	4,538,858
Electricity Efficiency Grant (EEDG)	3,861,171	2,145,865
Finance Management Grant (FMG)	1,782,604	1,649,873
Integrated National Electrification Program (INEP)	2,764,202	4,226,212
Municipal Systems Improvement Grant (MSIG)	934,000	890,000
	90,330,425	81,896,536

Capital grants

Municipal Infrastructure Grant (MIG)	11,883,043	14,947,283
	11,883,043	14,947,283
	102,213,468	96,843,819

Equitable Share

In terms of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), this grant is used to subsidise the provision of basic and administrative service to indigent community member and to subsidise income..

Municipal Infrastructure grant (MIG)

Balance unspent at beginning of year	16,738,146	7,152,429
Current-year receipts	20,400,000	24,533,000
Conditions met - transferred to revenue	(28,621,189)	(14,947,283)
	8,516,957	16,738,146

Conditions still to be met - remain liabilities (see note 15).

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects

This grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	-	-

Expanded Public Works Program Integrated (EPWP)

Balance unspent at beginning of year	1,242,823	889,380
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,751,765)	(646,557)
	491,058	1,242,823

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Integrated National Electrification Program (INEP)

Mafube Local Municipality

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25. Government grants and subsidies (continued)

Balance unspent at beginning of year	776,235	5,002,447
Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	(3,540,437)	(4,226,212)
	235,798	776,235

Department of Water Affairs (DWA)

Finance Management Grant (FMG)

Balance unspent at beginning of year	127	-
Current-year receipts	1,800,000	1,650,000
Conditions met - transferred to revenue	(1,782,604)	(1,649,873)
	17,523	127

Conditions still to be met - remain liabilities (see note 15).

Electricity Efficiency Grant (EEDG)

Balance unspent at beginning of year	2,853,834	-
Current-year receipts	4,000,000	4,999,700
Conditions met - transferred to revenue	(6,715,005)	(2,145,866)
	138,829	2,853,834

Conditions still to be met - remain liabilities (see note 15).

Changes in level of government grants

26. Other revenue

Administration and management fees received - third party	708,183	538,696
Salary recoveries	635,273	1,070,688
Other income - (rollup)	659,751	770,175
	2,003,207	2,379,559

27. Other income

Connection fees	40,133	56,391
Ground gravel and soil	10,136	72,437
Income from agency services*	-	53
Cemetery fees	168,671	161,803
Certificates	57,263	72,560
Tender deposits	43,474	29,447
Building plans	134,610	56,781
Sundry income	205,464	320,703
	659,751	770,175

*Income from agency service consist out of the Rural Maintenance (Pty) Ltd electricity assets additions received that were initially recognised as a liability (revenue received in advance) and thereafter recognised as income over the term of the PPP agreement.

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28. General expenses

Advertising	431,888	75,923
Auditors remuneration	3,401,026	3,281,396
Bank charges	280,474	263,144
Cleaning	290,920	447,021
Consulting and professional fees	5,924,460	2,419,748
Donations	24,380	43,121
Entertainment	136,592	178,305
Animal Costs	-	47,150
Insurance	1,022,081	637,624
Community development and training	2,350,760	1,017,126
Conferences and seminars	124,129	39,478
IT expenses	2,454,590	1,414,734
Magazines, books and periodicals	735	2,429
Motor vehicle expenses	138,350	93,744
Fuel and oil	2,663,692	3,516,144
Postage and courier	536,309	492,489
Printing and stationery	716,664	641,210
Protective clothing	164,712	1,445,180
Security (Guarding of municipal property)	21,833	17,326
Staff welfare	52,496	21,081
Subscriptions and membership fees	25,736	602,138
Telephone and fax	1,985,314	2,132,234
Travel - local	1,511,987	1,437,442
Assets expensed	-	76
Water	-	42,847
Other expenses	228,244	-
Integrated development plan (IDP)	1,410,581	646,377
Recruitment Expenses	15,826	97,240
Pauper burials	18,084	22,847
Legal fees	273,688	404,361
Rental of Vehicles and Equipment	734,536	921,052
Bursaries	191,213	601,010
Chemicals	3,314,044	2,148,362
Audit Committee Sitting Fees	122,798	142,980
	30,568,142	25,293,339

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29. Employee related costs

Basic	67,116,701	66,373,422
Bonus	3,501,309	3,409,974
Leave	2,693,303	8,179,375
	73,311,313	77,962,771

Remuneration of municipal manager (PI Radebe)

Annual Remuneration	589,323	548,345
Backpay	27,562	4,354
Contribution to SDL	10,233	9,265
Contributions to UIF	1,785	1,785
Medical and Pension Funds	225,807	224,821
Travel Allowance	225,706	234,086
	1,080,416	1,022,656

Remuneration of chief finance officer (A Hlubi)

Annual Remuneration	780,265	93,250
Backpay	24,475	-
Contribution to SDL	9,199	1,077
Contributions to UIF	1,785	297
Travel Allowance	144,000	18,000
	959,724	112,624

Remuneration of the Acting Chief Financial Officer(Mr G Gwanya)

Annual Remuneration	-	261,950
Acting Allowance	-	346,317
Backpay	-	3,566
Contribution to SDL	-	7,067
Contribution to UIF	-	1,785
Pension Funds	-	50,871
Travel Allowance	-	132,106
	-	803,662

Mr G Gwanya was appointed as the Acting CFO after the resignation of the Chief Financial Officer NN Molefe in March 2013, and acted until 25 April 2014 after which, Ms. P Nthuping was appointed to act until the newly appointed CFO Mr NA Hlubi officially started.

Mr NA Hlubi was officially appointed on the 1/04/2014 and commenced duty on the 15/05/2014.

Public Safety and Service Delivery - MS Malindi

Annual Remuneration	-	616,704
Backpay	-	3,566
Contribution to SDL	-	8,553
Contribution to UIF	-	1,636
Medical and Pension Funds	-	139,370
Leave payout	-	148,910
Acting Allowance	-	10,998
Travel Allowance	-	95,882
	-	1,025,619

It should be noted that Mr. MS Malindi was shifted from being the corporate services director in 2013 to being the director for the newly established department termed "Service Delivery and Public Safety", the salary he earned as a director for corporate services is therefore, disclosed as a comparative in the new department.

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29. Employee related costs (continued)

Director Community Services - ZE Mofokeng

Annual Remuneration	591,215	596,527
Backpay	22,572	3,566
Contribution to SDL	8,260	7,464
Contribution to UIF	1,785	1,785
Medical and Pension Funds	14,692	107,465
UIF Contributions	1,785	1,785
Travel Allowance	244,699	204,306
	885,008	922,898

Corporate and human resources (corporate services) NE Radebe

Annual Remuneration	756,390	721,224
Backpay	22,572	3,943
Contribution to SDL	8,714	8,245
Contribution to UIF	1,785	1,785
Cell Allowance	15,600	16,000
Acting Allowance	-	6,515
Travel Allowance	96,000	96,000
	901,061	853,712

It should be noted that Mrs. NE Radebe was shifted by council to occupy the position as the corporate director, owing to the fact that the Department of Land Use and Town Planning was merged into the Technical Department.

Technical Services - M Maboya

Annual Remuneration	-	159,387
Car Allowance	-	2,762
Performance Bonuses	-	595
Contributions to UIF, Medical and Pension Funds	-	33,121
Other	-	53,129
Other	-	56,814
Other	-	29,440
	-	335,248

This position has become vacant in March 2013 following the termination of the agreement of the Director Mr Maboya.

Mayor - JE Segasa

Annual Remuneration	448,691	431,535
Backpay	30,502	-
Contribution to SDL	5,709	5,550
Pension Funds	67,304	64,730
Car Allowance	18,504	23,472
Travel Allowance	171,998	165,422
	742,708	690,709

Speaker - TM Moloi

Annual Remuneration	343,927	330,853
Backpay	24,401	-
Contributions to SDL	4,638	4,357
Pension Funds and Medical Aid	68,869	66,160
Cell Allowance	18,504	23,472

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	2015	2014
29. Employee related costs (continued)		
Travel Allowance	137,599	132,338
	597,938	557,180
 Mr AL Mphuthi (Acting Director Technical services)		
Annual Remuneration	235,336	-
Car Allowance	121,521	-
Annual Bonuses	19,611	-
Contributions to UIF, Medical and Pension Funds	78,642	-
Contribution to SDL	8,521	-
Backpay	22,572	-
Acting allowance	453,512	-
Cellphone allowance	13,500	-
Bargaining council	318	-
	953,533	-
 Mrs MKH Tsotetsi (Acting Director Public safety)		
Annual Remuneration	279,737	-
Car Allowance	144,353	-
Annual Bonuses	23,311	-
Contributions to UIF, Medical and Pension Funds	59,914	-
Contribution to SDL	8,489	-
Backpay	22,572	-
Acting allowance	415,259	-
Cellphone allowance	13,500	-
Bargaining council	318	-
	967,453	-
 30. Remuneration of councillors		
Councillors	4,946,053	5,235,182
 In-kind benefits		
 31. Debt impairment		
Contribution to consumer receivables from exchange transactions impairment provision	40,647,172	34,984,223
Contributions to consumer receivables from non-exchange transactions impairment provision	4,235,018	2,992,203
	44,882,190	37,976,426
 32. Investment revenue		
 Interest revenue		
Financial Assets	22,603	123,084
Bank	68,540	64,720
Interest charged on trade and other receivables	19,583,954	12,875,683
	19,675,097	13,063,487
 33. Actuarial loss on employee benefits		
Actuarial (loss)/gain on employee benefits	1,401,000	(2,716,861)

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	2015	2014
34. Depreciation and amortisation		
Property, plant and equipment	134,354,819	136,869,795
Investment property	-	380,350
Intangible assets	39,842	33,202
	134,394,661	137,283,347
35. Finance costs		
Finance lease liabilities	1,942,751	1,995,960
Cash and Cash equivalents and other	10,117,309	5,853,682
Non-current provisions	41,822	-
	12,101,882	7,849,642
36. Auditors' remuneration		
Fees	3,401,026	3,281,396
37. Rental of facilities and equipment		
Premises		
Premises	411,579	531,566
Venue hire	23,543	11,490
	435,122	543,056
38. Grants and subsidies paid		
Other subsidies		
Indigent subsidies	3,547,907	6,746,501
39. Bulk purchases		
Electricity	6,729,008	17,199,992
Water	17,039,629	10,514,964
	23,768,637	27,714,956

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40. Cash generated from operations

Deficit	(152,069,288)	(158,841,689)
Adjustments for:		
Depreciation and amortisation	134,394,661	137,283,347
Gain on sale of assets and liabilities	9,208	-
Actuarial loss on employee benefits	(1,401,000)	2,716,861
Finance costs - Finance leases	1,942,751	1,995,960
Debt impairment	44,882,190	37,976,426
Service charges on employee benefits	(216,866)	3,200,000
Movements in provisions	789,220	5,880,687
Changes in working capital:		
Inventories	(79,520)	168,561
Receivables from exchange transactions	(1,414,572)	(1,588,155)
Consumer receivable from exchange transactions	(72,910,018)	(38,646,125)
Other receivables from non-exchange transactions	(2,513,941)	(108,820)
Payables from exchange transactions	93,273,809	31,397,511
VAT	(4,070,847)	5,760,419
Unspent conditional grants and receipts	(12,211,000)	8,566,909
Consumer deposits	32,189	84,818
Non-current provisions	-	-
	28,436,976	35,846,710

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	40,113,980	58,207,711
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Total capital commitments

Already contracted for but not provided for	40,113,980	58,207,711
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

42. Contingencies

Sewerage leaking into the river

The municipality was taken to court during the 2014 financial year and the case has not yet been concluded:

43. Related parties

Relationships		
Accounting Officer	Refer to accounting officer's report note	
Close family member of key management	None	
Joint venture of key management	None	
Associate of close family member of key management	None	
Post employment benefit plan for employees of entity and/or other related parties	None	
Members of key management	None	

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers. These transactions are recorded at arms length.

Compensation to accounting officer and other key management

Short-term employee benefits	3,980,190	5,749,272
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44. Prior period errors

a. Property, Plant and Equipment **cost** was understated by an amount of R435 310 525.4, the details are as follows:

- (i) Land was understated by an amount of R250 920 847.10
- (ii) Infrastructure Assets were **overstated** by an amount of R694 282 023.48 as a result of using Replacement cost instead of deemed cost to determine the cost of assets procured prior 1July 2008. The deemed cost was applied to determine the cost currently disclosed on the AFS.
- (iii) Community Assets were **overstated** by an amount of R5 021 572.57 as a result of the application of the Current Replacement Cost method to value assets procured prior to 1 July 2008, instead of the deemed cost.
- (iv) Investment property was understated by an amount of R13 072 223.60 resulting from the incorrect application of Current Replacement cost instead of deemed cost as well as, omissions which were done when the asset register was initially compiled.

b. The 2014 Accumulated depreciation opening balance was overstated by an amount of R22 516 063.78 and this was as a result of the fact that the depreciation was previously based on an overstated asset of which, the cost was based on the Current Replacement Cost instead of the Deemed Cost. The break-down of the overstatement is as follows;

- (i) Community assets amounts to (R26 684 332.05) (Understated)
- (ii) Investment property (R2 994 698.81) (Understated)
- (iii) Infrastructure assets R52 195 094 (Overstated)

c. The Depreciation on Infrastructure, Investment, and community assets was materially understated with an amount of R11 500 021. 26 thus, as a result of errors in cost and the incorrect calculation of depreciation. The break-down is as follows;

- (i) Infrastructure Assets R4 560 889.17
- (ii) Community Assets R6264700.61
- (iii) Investment Property R 674 431.47

d. Movable asset Costs on the Annual financial statements did not agree with the AFS for 2014, and thus were overstated with an amount of R58 276.17 and was corrected as such, thus changing the carrying value of movable assets on the Annual Financial statements. The break down is as follows;

- (i) Leased Assets R102 886.03 (Overstated)
- (ii) Other PPE (R71 737.30) (Understated)
- (iii) Vehicles R27 127.45(Overstated)

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	424,352,760	424,352,760
Opening Accumulated Surplus or Deficit	(412,852,738)	(412,852,738)

Statement of Financial Performance

Depreciation expense	(11,500,021)	(11,500,021)
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Cash flow statement

45. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: including market risk (fair value interest rate risk, cash flow interest rate risk and price risk) credit risk and liquidity risk

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45. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

There were no material changes in respect of objectives, policies and processes for managing risks and in methods to measure risk.

Credit risks consists mainly of cash deposits, cash equivalent and consumer receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer receivables comprise a widespread customer base. Management evaluated credit risk relating to consumer on an ongoing basis. If consumers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the consumers, taking into account its financial position, past experience and other factors.

Consumer receivables are presented net of an allowance for impairment. Credit risk pertaining to consumer receivables is considered to be high due to a history of non-payment and limited follow up procedures by the municipality in the past. The municipality effectively has the right to terminate services to customers but, in practice this is difficult to apply. Consumer receivables whose accounts enter into arrears, council endeavours to collect such accounts by levying of penalty charges, demand for payment, restriction of services and as a last resort handing over of debt for collection.

No consumer receivables or receivable from exchange transaction is pledged as security for any financial liability.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Receivables from Exchange Transactions	5,073,582	3,659,010
Consumer Receivables from non-exchange Transactions	6,209,628	1,683,504
Consumer Receivable from exchange transactions (Net amount)	63,954,782	35,926,954
Cash and Cash equivalents (Cash balances)	619,928	64,367
Financial Assets	369,250	355,120

The municipality is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long -term financing.

The entity's interest rate risk arises from non-current borrowings and finance lease liabilities. Instruments issued at fixed rates expose the municipality to fair value interest rate risk. Interest rates on non-current borrowings are not based on prime and therefore fluctuations in prime will not affect the borrowings

Financial liabilities which exposes the municipality to interest rate risk at year end were as follows:

46. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- nature of the event.

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46. Events after the reporting date (continued)		
• estimation of its financial effect or a statement that such an estimation cannot be made.		
47. Unauthorised expenditure		
Unauthorised expenditure	110,616,981	<u>37,837,331</u>
48. Fruitless and wasteful expenditure		
Opening balance	14,153,749	5,669,788
Fruitless and wasteful expenditure current year	9,756,060	8,483,961
	<u>23,909,809</u>	<u>14,153,749</u>
49. Irregular expenditure		
Opening balance	35,470,569	30,070,538
Add: Irregular Expenditure - current year	9,838,403	5,400,031
	<u>45,308,972</u>	<u>35,470,569</u>
50. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	611,268	499,971
Current year subscription / fee	1,044,315	630,542
Amount paid - current year	(5,000)	(519,245)
Amount paid - previous years	(611,268)	-
	<u>1,039,315</u>	<u>611,268</u>
SALGA subscriptions for the current and prior reporting period.		
Audit fees - Auditor General		
Opening balance	3,149,817	1,180,167
Current year subscription / fee	3,401,026	3,158,508
Amount paid - current year	-	(150,000)
Amount paid - previous years	(1,273,830)	(1,038,858)
	<u>5,277,013</u>	<u>3,149,817</u>
PAYE, UIF and SDL		
Opening balance	7,318,855	7,188,103
Current year subscription / fee	7,867,266	6,957,479
Amount paid - current year	(7,894,049)	(7,513,725)
Interest and penalties	932,869	686,998
	<u>8,224,941</u>	<u>7,318,855</u>
Pension and Medical Aid Deductions		
Opening balance	10,453,233	1,727,039
Current year subscription / fee	16,846,727	16,391,623
Amount paid - current year	(8,077,917)	(8,207,233)
Interest paid	-	541,804
	<u>19,222,043</u>	<u>10,453,233</u>

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days at June 30, 2015:

June 30, 2015	Outstanding	Outstanding	Total
	less than 90	more than 90	R
	days	days	
Hadebe M	1,608	6,344	7,952
Japhta U	532	650	1,182
Monaune PM	433	5,179	5,612
Mosia AS	1,474	1,315	2,789
Motloung P	858	7,067	7,925
Motloung WC	1,072	17,747	18,819
Pretorius JJ	5,395	33,117	38,512
Rakoloti E	734	-	734
	12,106	71,419	83,525

June 30, 2014	Outstanding	Outstanding	Total
	less than 90	more than 90	R
	days	days	
Hadebe M	716	1,683	2,399
Jafta UC	532	15	547
Monaune PM	379	3,547	3,926
Mosia AS	660	-	660
Motloung P	519	4,063	4,582
Motloung WC	1,001	15,978	16,979
Pretorius JJ	4,918	23,330	28,248
	8,725	48,616	57,341

During the year the following Councilors' had arrear accounts outstanding for more than 90 days.

June 30, 2015	Highest	Aging
	outstanding	(in days)
Hadebe M	6,344	-
Jafta UC	650	-
Monaune PM	5,179	-
Mosia AS	1,315	-
Motloung P	7,067	-
Motloung WC	17,747	-
Pretorius JJ	33,117	-
	71,419	-

June 30, 2014	Highest	Aging
	outstanding	(in days)
Hadebe M	1,683	-
Monaune PM	3,547	-
Motloung P	4,063	-
Motloung WC	15,978	-
Pretorius JJ	23,330	-
	48,601	-

51. Budget differences